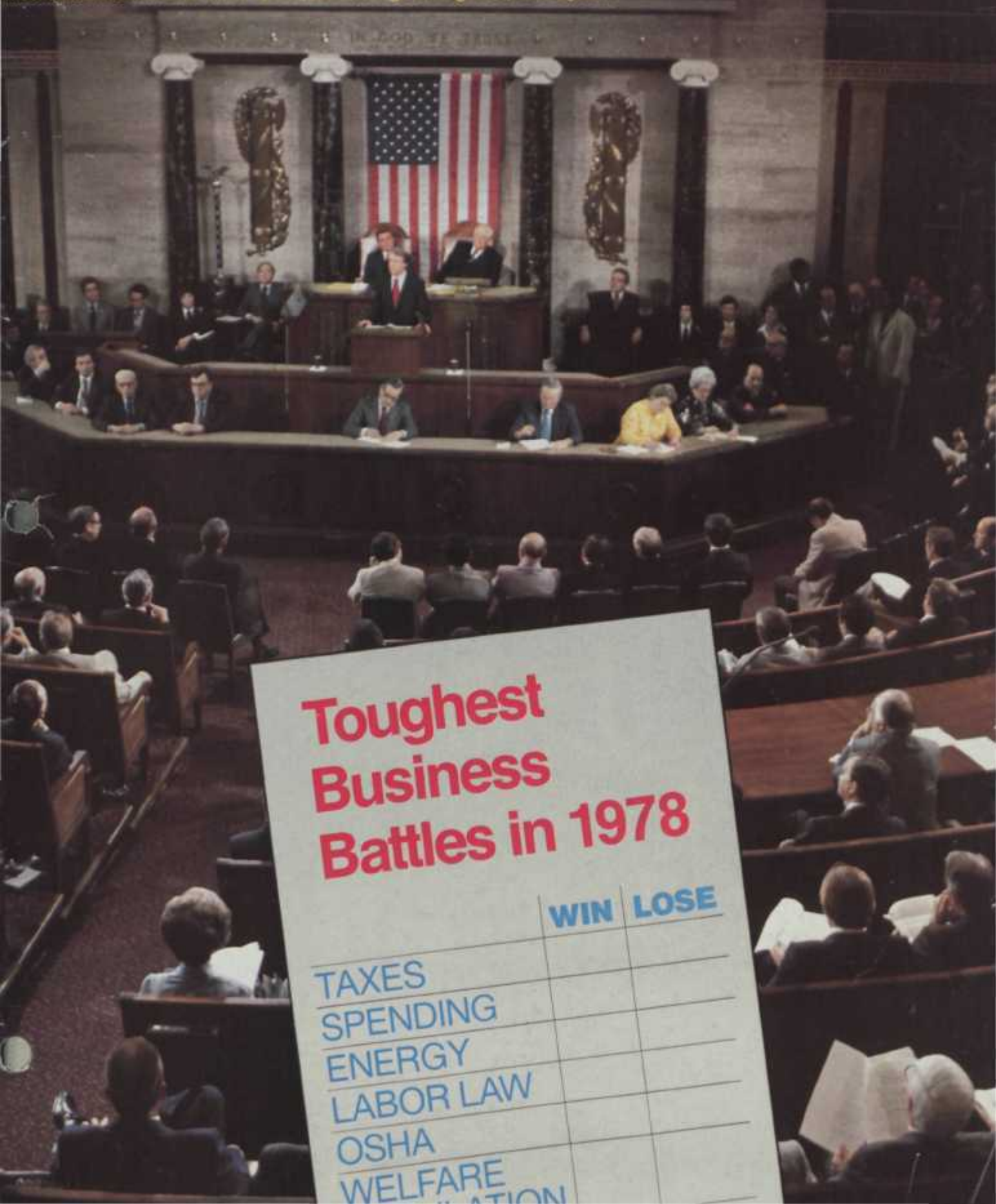


DECEMBER 1977

Nation's Business

Circulation now more than 1,130,000 and growing 100,000 a year.



Toughest Business Battles in 1978

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A LOOK AHEAD FROM WASHINGTON

Product Liability Called a Continuing Problem

That long-awaited final report by a federal inter-agency task force on product liability does not come up with specific legislative proposals, but it does confirm that product liability insurance costs for certain industries have risen sharply since 1974.

The report says circumstantial evidence suggests that some insurers engaged in panic pricing—i.e., raised premiums on the basis of misinformation and talk of crisis. It also says some product liability cases were caused simply by unsafe products or by uncertainties in tort law, which varies from state to state.

Currently the business community emphasis is on gaining tort-litigation reform at the state level. Three states have passed comprehensive reform bills—Utah, Oregon, and Colorado. Forty-one other states have bills up for consideration. In all, 191 different bills have been introduced, mainly through the initiative of business organizations.

Under Secretary of Commerce Sidney Harman notes in the report that there has been a tremendous amount of misinformation about the product liability problem. For example, some sources reported one million product liability claims were filed in 1976, but the best data the task force could find indicates approximately 60,000 to 70,000 claims were filed.

The task force does not find that product liability problems are a direct or sole cause of a large number of business failures, but it says they may be one of many factors causing some small firms to go out of business or merge with larger firms.

A disturbing finding: The cost of product liability insurance may be inhibiting new product development, particularly in pharmaceuticals. As a result, Dr. Harman warns, some socially beneficial products may not be developed or may be discontinued.

Looking to the future, Prof. Victor E. Schwartz, chairman of the working task force for the study, says the product liability problem won't go away. And Dr. Harman observes: "I think it will get worse."

New Consumer Agency Thrust Is Beaten Back

Business is beginning to think consumer activists are unlike old soldiers. Consumer activists only appear to fade away.

The most recent example was a ploy to bring a

redrafted consumer protection agency bill to the House floor for a vote. This White House-supported measure, which called for establishment of an Office of Consumer Representation, was heralded as more palatable to business than a previous proposal.

However, alert business organizations, not fooled by the cosmetic treatment, mounted an effective counterattack on Capitol Hill. The result, after another head count by the Democratic leadership, was a decision to shelve further consideration, at least for the moment.

Consumer activists have been attempting to legislate the creation of a consumer protection agency for eight years. They are expected to try again.

Tilt Toward Free Market for Setting Fuel Prices

Decontrol of motor vehicle gasoline allocation and prices, proposed by the Department of Energy, would leave less than ten percent of refined petroleum products under federal controls that were imposed during the Arab oil embargo of 1973-74.

Gasoline decontrol was one of the initial proposals sent to the newly created Federal Energy Regulatory Commission by Energy Secretary James R. Schlesinger. With supply now able to meet demand, the Carter administration wants to rely on the free market system to stabilize prices.

FERC must send the decontrol recommendation to Congress for approval. Unless either house objects within 15 days, the decontrol plan goes into effect.

Big Market for U. S. Seafood Seen Abroad

The Commerce Department, seeing the lure of export dollars, has set its sights on increasing U. S. seafood production eightfold in order to make the nation a major seafood exporter.

To chart the way, the department will fund a study to identify domestic and foreign markets for fish and shellfish that can be harvested from the new 200-mile ocean conservation zone and from the Great Lakes.

Presently the U. S. is harvesting 2.8 billion pounds of seafood annually. Commerce Secretary Juanita M. Kreps says there is a potential for increasing this to 24 billion pounds.

More Federal Contracts Sought for Small Firms

Small business can anticipate more opportunities to become suppliers to the federal government if new legislation overcomes all the hurdles in this coming session of Congress.

That is the promise held out by S. 2259, the Small Business Procurement Expansion and Simplification Act, introduced jointly by Sens. Gaylord Nelson (D.-Wis.) and William D. Hathaway (R.-Me.).

The sponsors say their bill ensures more federal dollars for small business. One change would be to give the Small Business Administration more real say in the setting of procurement policy by government agencies.

Another change would be to reserve all procurements below \$10,000 for small businesses, under simplified purchasing procedures. In general, agencies would have to simplify all existing buying procedures, which often are cumbersome.

While this legislation is under consideration, the General Services Administration and Commerce Department continue to conduct a nationwide program to interest more small and medium-size businesses in bidding on government contracts. In the past year more than 160,000 new bidders have sought federal contracts.

GSA officials say that full information on contracting is available from GSA's 13 business service centers around the nation or from Commerce Department district offices.

Business Applauds President for ILO Withdrawal Decision

Although his batting average with the business community has not been particularly high, taking the U. S. out of the International Labor Organization has put President Carter in the hit column for a change.

This marks the first time that the U. S. has yanked its membership from a United Nations organization. [See: "Why the U. S. Plans to Quit the UN's Labor Arm," in NATION'S BUSINESS, October, 1977.]

The action was recommended by Labor Secretary Ray Marshall; the Chamber of Commerce of the United States, which has provided business representation for America in the ILO; and the AFL-CIO, which has sent the U. S. labor delegate to the organization. In theory, the ILO has independent, tripartite representation—from government, business, and labor—for each member country.

National Chamber President Richard L. Leshner urged the U. S. pullout on grounds that the ILO had refused to accomplish any of the reforms asked by the U. S. two years ago, when Secretary of State Henry Kissinger gave notice of this country's intention to withdraw. The business community has been

unhappy with the ILO since 1954, when Russia and its satellites joined the organization and made a mockery of the tripartite theory.

The U. S. says any thought of a return to Geneva will depend on the ILO's adhering to its original charter to foster better labor conditions. The organization must cease being a political forum for communist, Arab, and other countries, the U. S. says.

America's withdrawal hurts the ILO in the pocketbook—our \$20 million annual contribution is 25 percent of the organization's budget.

ICC Wants Freer Rein to Deregulate Carriers

The Interstate Commerce Commission wants legislation giving it the option to get out of the business of regulating the transportation of race horses, carrier pigeons, or other items carried by road or water.

ICC now may exempt railroads from its regulation, in whole or in part, when it deems such a step to be in the public interest. ICC Chairman A. Daniel O'Neal has recommended a similar exemption option for all areas in which the agency has regulatory authority.

Agreeing, Sens. Warren G. Magnuson (D.-Wash.) and James B. Pearson (R.-Kans.) have introduced S. 2269. The bill would amend the Interstate Commerce Act to permit exemptions for all common or contract carriers and freight forwarders.

With this authority, ICC could deregulate the movement of carrier pigeons, for example, if it decided such action would have no significant effect on the maintenance of an adequate and stable national transportation system. It also could exempt from regulation local mass transit systems or pleasure boats that operate across state lines.

GAO Complains About Government Inventories

The General Accounting Office for years has been telling key federal supply agencies they often are sloppy buyers and inventory managers. Now the congressional watchdog agency is complaining again.

Looking at fiscal 1975, the agency reports the Defense Logistics Agency, the General Services Administration, and the Veterans Administration, the three largest purchasers of commercial and commercial-type supplies, collectively spent about \$8.1 billion for items and ended up the year with \$4.1 billion worth still on the shelves.

The Defense Logistics Agency, for example, stocked 1.4 billion different items. There was not a single request all that year for 37 percent of them.

GAO suggests the agencies refrain from stocking slow-moving items and instead procure them through the commercial distribution system as needed. □



Alas, hospitals are only human.

They've got to keep up with the Joneses.

For the hospital board, it must seem a simple logic of survival. Beds are filled by patients. Patients are provided by physicians. Physicians, understandably, are attracted by the latest equipment.

But for us who pay the bills, that logic costs dearly.

Unnecessary duplication of expensive technology is fueling a rampant inflation.¹ The hospital bill — and the health insurance which pays it — is now one of the fastest-rising costs in our whole economy.²

Can we slow it down? Aetna believes so. If doctors were to assign patients to *any* of several hospitals nearby, expensive equipment could be shared. Specialized facilities, staff, even beds would be more efficiently used.³

Establishing state commissions to set limits on hospital expenditures could help, too. In Maryland and Connecticut, such commissions have been at work since 1974. They've lopped some big numbers off hospital budgets,⁴ without reducing the quality of care.

And Aetna is encouraging local medical societies to monitor doctors' use of hospitals. Was the length of stay appropriate? Was admission necessary in the first place?⁵ If all of us involved continue to raise such questions, insurance costs *can* be controlled. Don't underestimate your own influence. Use it, as we are trying to use ours.

Aetna wants insurance to be affordable.

¹ Consider the cost of the CAT scanner, the latest thing in diagnostic machinery. (The CAT—Computerized Axial Tomograph—takes pictures of cross-sections of the body.) If every one of the 6,000 general hospitals in America bought a CAT, the initial investment alone would cost us all nearly three billion dollars.

² Ten years ago, health care costs consumed about 6% of the gross national product. Today it is close to 9%. Center stage in this inflationary drama is the hospital bill, which has doubled in the last five years!

³ This principle could eliminate many wasteful situations. In Philadelphia, for instance, 16

hospitals have open heart surgery programs. But according to a government study, only five used them enough to be considered efficient. Waste applies to much simpler equipment, too, like beds. The government estimates there are at least 100,000 unnecessary hospital beds empty each day, at a cost of \$2 billion a year.

⁴ As much as \$45 million saved in Maryland alone, in 1975.

⁵ Most medical societies have a "Professional Standards Review Organization" created for just this kind of review for Medicare and Medicaid patients. Aetna believes the potential savings justify such review of all patients.

Another View of the UN's Labor Arm

Your article on possible U. S. withdrawal from the International Labor Organization ["Why the U. S. Plans to Quit the UN's Labor Arm," October] was a review of reasons for withdrawal.

There are also substantial arguments on the other side.

Within the past two years Caterpillar Tractor Co. has worked closely with the ILO on several occasions. These firsthand experiences have been generally favorable.

In addition, we have reviewed with close observers of the ILO some of the organization's more recent achievements. They are worthy of attention.

Last year, for example, 45 different countries changed 80 pieces of national legislation to bring their laws in line with ILO standards on social and human rights. In 1975, 55 countries amended 94 pieces of legislation. Over the past 14 years more than 1,000

national laws have been changed because of ILO work on human rights.

The ILO was the first agency in the United Nations system to study the role of multinational companies in today's world. It has completed seven studies in the field of social policy, all of them noteworthy for an objective compilation of facts rather than a strident review of unfounded accusations.

It is important to note that the U. S. has clearly achieved its objective of getting its natural allies within the ILO to stand together on political issues that might arise.

In fact, the only vote which the United States lost in the governing body during the past 21 months was over the question of admitting the Palestine Liberation Organization as an observer to the 1976 World Employment Conference.

If the United States leaves the ILO,

as now scheduled, the effect will be to reduce the influence of member countries which have supported U. S. positions on difficult policy issues.

No doubt, criticism of certain tendencies in the ILO actions is valid. However, we believe the balance sheet has a strong, positive side as well.

ROGER T. KELLEY
Vice President
Caterpillar Tractor Co.
Peoria, Ill.

The Social Security dilemma

I would say amen to one proposal mentioned in your article, "Time for Decision on the Social Security Dilemma" [October]. That is including federal, state, and local government in the plan.

Short working schedules, particularly for firemen and teachers, and early retirement for nearly all government workers make for moonlighting by these employees with the goal of qualifying for Social Security benefits.

Adding all government workers to the Social Security system would not only add to its financial stability, but would open up jobs now held by moonlighting government workers.

RALPH A. HERBOLD
Purchasing Agent
Sanders Plumbing Co.
Lynwood, Calif.

You said the maximum Social Security tax paid by each worker, and matched by the employer, for the year 1978 under existing law will be \$1,075.85. Shouldn't the amount be \$1,070.85 (\$17,700 x 6.05 percent)?

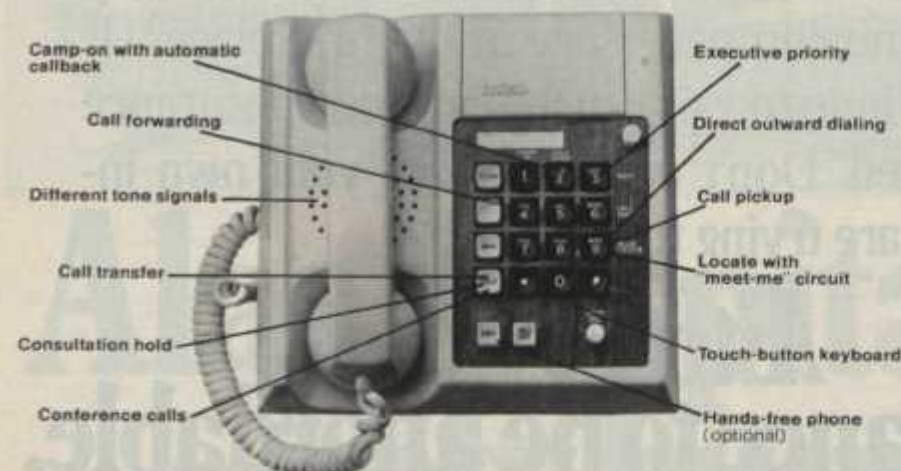
RICHARD LUGANBEAL
Division Industrial Engineer
Reserve Mining Co.
Silver Bay, Minn.

[Editor's Note: Our mistake.]

What next for Panama Canal?

Thank you for the article, "Panama Canal: What Happens Next" [October]. Although something has been said every day via television, radio, and newspapers, it has been difficult to really get a good look at both sides of the issue. Your article took care of that.

TOM SCOGGINS
President
P & S Machine Co., Inc.
Graham, N. C.



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New uranium ore discovery.



"Yellowcake" derived from uranium ore can be processed into nuclear fuel.

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the desert floor. Once it is mined and processed, this uranium ore can be used as fuel to generate electricity.

In a pilot plant in Pennsylvania, we're working with the Federal Energy Research and Development Administration to develop the technology for converting coal into synthetic natural gas. This new coal gasification process could help to supplement our dwindling supplies of domestic natural gas.

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In Utah and Nevada we've drilled deep beneath the earth's crust to harness the potential of nature's own heat called geothermal energy. Once this heat is converted into steam, it could possibly power turbines to provide electricity for our western states.

Of course, we're pleased that our initial exploration efforts have resulted in significant new additions to America's known energy reserves. But more work still needs to be done. So at Phillips, we're going to do a lot more than just scratch the surface.

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Making Life More Bearable for the Traveler

THE column-writing racket has its puzzling aspects. Ordinarily, a columnist can pretty well predict the response of his readers. If he denounces a federal pay raise, he knows that several hundred federal employees will soon be after his hide. If he writes a solid tome on recodification of the criminal code, he expects to hear only from three law professors and a couple of aging judges. But now and then a columnist spins off a throwaway piece, expecting nothing much in return, and behold: The mail comes in like snow.

This was the case a few weeks ago when I wrote a newspaper column about the tribulations of a traveling man. Have you ever opened a bag of feed by pulling the patented string? Zzzzap! That column loosened the pent-up emotions of professional travelers everywhere. They spilled out their sorrows in hundreds of letters penned from hotels and motels across the country. So lively a response prompts me to return to the theme here. All the traveling man truly wants, I suggested, is a little tender loving care. And sad to say, in many establishments it is getting harder to find.

My original polemic resulted from a series of minor mishaps on a week's trip across the country. I suppose I qualify as a more or less professional traveler; I'm on the road from 100 to 125 days every year; I travel 100,000 miles by plane and another 25,000 by car; the nature of my travel takes me to small college towns and large convention cities. This is small potatoes against the itineraries of sales representatives who spend twice as much time on the road, but it's enough travel to permit the making of judgments.

AT ANY EVENT, this trip began with a motel in Lincoln, Nebr., where the decor was terrible and the food was worse; the courtesy car had broken down, and there wasn't even soap in the room. The trip went on to a hotel in Las Vegas which proved a disaster. A hostile desk clerk assigned my wife and me to Room 2379, which was already occupied; then to 2307, which was intolerably small; then to 2361, where the television didn't work. The housekeeper's office couldn't say when the TV might be repaired—maybe today, maybe tomorrow, maybe never; and, no, it wouldn't be possible to send up a spare TV set because there weren't any. An assistant manager exuded hauteur and hostility; he could not have cared less. After a modest uproar, a fourth room assignment was attempted, No. 2461; the prior guests had left it a shambles, and by 3 o'clock in the afternoon no maid had put a hand to it. We wound up in Room 1375. My exhausted wife turned back the bedspread to take a nap: The sheets were dirty.

After that came a hotel in Los Angeles, where the people were friendly and the furniture shabby. Then

an Indianapolis hotel, which was okay but not exceptional in any way. Thence back to Washington, and to the pleasant ministrations of one of my favorite hostelrys, the Georgetown Holiday Inn on Wisconsin Avenue.

Now, there was nothing especially unusual in all this. That's what hurts. The five-step shuffle at the Las Vegas hotel was a bit much, and the whole experience left me with a 72-hour slow-burning sizzle, but travelers encounter poor management all the time. And as the torrents of mail made clear, so universal an experience creates universal resentment.

IN SOME of the flossier downtown establishments, a traveler's problems often begin at the doorstep. The luggage that with God's grace he has salvaged from the airlines is deposited by his cabdriver on the



sidewalk. There a doorman takes over—often a top-hatted doorman—and sometimes the doorman is friendly and sometimes he isn't. In the lobby, a line has generally formed before the registration desk. It takes a while. Then a snippy, snappy, indifferent clerk gives the guest the kind of cold eye reserved for deadbeats and bill collectors; the clerk naturally has mislaid the guest's reservation. Assuming the hotel has not overbooked, so that a confirmed reservation is no more than a scrap of paper, the guest is directed toward his room. If he is carrying no more than a two-pound briefcase, a bellman will appear as if by magic, eager to assume the dreadful burden. If he is carrying something heavy, bellmen can be hard to come by.

In too many hotels and motels—and I am talking about the medium to high-priced places—the hall carpeting is worn and the cigarette urns untended. At two or three in the afternoon one encounters

breakfast trays still languishing in the corridors. Appetizing, right? Wrong.

How many times, I wonder, have I been assigned to a room that was not made up? It happens at least once in every eight or ten overnight stays. There is something marvelously unappealing, I can tell you, in being shown to a rumpled bed, overflowing ashtrays, jammed wastebaskets, and a bathroom sink full of hair. Ordinarily the room is in order, and the beds and pillows provoke no complaint, but the TV set—that indispensable friend of the lonesome traveler—is on the fritz one time in five. It often is useless to try to read instead of watching the tube: The bedside lamps give 40 or 60 watts of wan illumination, the better to conserve both the nation's energy and the innkeeper's profits.

And so it goes to the time of departure. It is par for the course to hit a room in which at least one amenity is missing. I take that back. Par is three. There is no telephone book; or no washcloth; or no soap, as in Lincoln; or no tissue; or no shoe cloth; or no scratch pad; or no stationery; or a key lamp suffers from a burned-out bulb. Or something. And when checkout time rolls around, the traveler typically discovers that the cashier's window offers the least courtesy and the least efficiency in the whole establishment. It has not occurred to the manager that as many as five or six guests might want to check out at the same hour. The idea has not crossed his mind. He would be dumbfounded to learn that a paying guest might wait 15 minutes in line, getting madder by the instant, while one cashier rummages through the files. Someone should tell managers about these things.

WELL, I WROTE a column touching a few of these bases. Roughly 400 traveling salesmen, lecturers, entertainers, politicians, brother newsmen, and trade association executives wrote in to say amen. The column also attracted scores of letters from hotel and motel managers, from desk clerks, from a couple of bellmen, from a maid. Several of the desk clerks made the point—and it is a valid point—that often guests arrive with chips on their shoulders; there is no pleasing such guests. They were born to grumble and gripe. A number of managers cited the difficulties they encounter in retaining experienced and reliable help. Wage levels are better than they used to be, but they remain very close to rock bottom.

Some of the most appealing letters came from the managers of mom-and-pop motels—men and women who take pride in their establishments, who cater to regular guests, who make a real effort to be pleasant. These are the innkeepers who care. And there are, of course, many of them. In my column I mentioned eight or ten hotels where I have encountered first-class service in recent years, and these nominations on my part prompted 50 more from my correspondents. The next time you're in L. A., wrote a woman in Ohio, try the newly renovated Biltmore. A North Carolina doctor praised the Homestead in Hot Springs, Va. The Marquette Inn in Minneapolis "combines convenience, beauty, and TLC." A railway man from Albuquerque nominated the Little America Inn at Flagstaff, Ariz. The picture is by no means entirely bleak.

My guess, simply as one traveling man, is that the secret is primarily a secret of management. Capital may have something to do with it, of course; architecture, interior decoration, location, the nature of the clientele—all these doubtless figure into the equation. At bottom, I suspect, the difference between a poor hotel/motel and a good one lies in the experience, the attitude, and the personal attention of the man or woman who runs the place. If a manager does a good job of training the maids, and pays them tolerable wages, and treats them with dignity, and praises them for doing well, that manager's rooms will be comfortable rooms—for the maids will have checked the light bulbs and tried the TV before they leave. If a manager insists upon friendly courtesy on the part of his desk clerks, he can get it—or he can get some new desk clerks.

SO MUCH depends upon that first impression. Ten years ago I used to stay at one hotel in New York, but I got so infernally fed up with the la-de-da haughtiness of the grand dukes they hired as desk clerks that I vowed never to return. Another hotel I tried can be just as snotty—no other word will do. I looked for some simple courtesy at still another New York hotel in October, but simple courtesy had not checked in. Come to think of it, I have yet to find a hotel in Manhattan whose management is not obsessed with the notion that the hotel is doing its guests an enormous favor by accepting their money. Perhaps readers of NATION'S BUSINESS have discovered a pleasant home away from home in New York.

Good first impressions do abound. The Marriott people, in my experience, have managed to hire smiling, intelligent employees. They make a guest feel welcome. I have hit three Hyatts, all good, though the O'Hare Hyatt once turned me away with a confirmed reservation. The Fairmonts in New Orleans and San Francisco have a pleasant charm. The Brown Palace in Denver, the Omni in Atlanta, the Benson in Portland—all good. In Washington, where I spend so many nights, one thinks—in addition to the Georgetown Holiday Inn—of the Madison; it is fearfully expensive, but the pampering restores the soul. Also, the Crystal City Marriott, the L'Enfant Plaza, Stouffer's, and the staff at the Mayflower offer touches of TLC.

And to return to the point of beginning, that is really about all the traveler wants—a little tender, loving care. He wants to be treated as a guest, as a tired human being who asks little more than a clean room, a firm mattress, some ice down the hall, and a TV set that works. If managers will provide their guests, in addition, with room service that arrives promptly, with cashiers who speed us cheerfully on our way, and with hotel telephone operators who don't sound snippy, little more could be desired.

THE CENSUS BUREAU tells me, on inquiry, that in 1972 the country listed 58,688 hotels and motels; they took in gross receipts of \$10.1 billion and had 711,000 employees. I assume the figures are much larger in 1977. This is a big business, an important business, an indispensable business. We are a traveling people, we Americans, and we rely on the nation's innkeepers to keep life bearable on the road. □

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Getting Your Dollar's Worth From Consultants

Consulting is a \$2 billion-a-year business.

That's the gross income of some 3,500 firms—plus thousands of individual practitioners—in the U. S. and Canada in the consulting field.

Big firms usually have expertise in many fields.

Smaller firms and solo practitioners tend to be specialists.

"But many of the latter have well-deserved reputations for excellent performance," says the Association of Consulting Management Engineers, Inc.

Expert advice usually doesn't come cheap.

When is paying for it worthwhile?

Here are the association's suggestions:

- When the consultant offers lots of experience or ability required only on a temporary basis.

- When the consultant provides specialized knowledge or technical skills not found in-house.

- When the consultant acts as a catalyst to get a big job done on time.

- When an outside—or impartial—viewpoint is needed to give you a fresh approach to a tough problem.

Basically, the association says, management consultants are problem-solvers, and that's why companies usually employ them.

How can you get the best return on the dollars you pay them?

Here is what the association recommends:

- Define your problem clearly.
- Select the consultant carefully.
- Define your mutual obligations.

The consultant needs help from you and your executives to diagnose and cure what ails you.

- Supervise and support him.

He's an outsider who represents change. Most companies, like any organization, have a reflex defensive reaction to any alteration of a time-honored routine.

- Measure the results.

How can you do that?

Yardsticks you can use, the association says, include:

Did you get fresh and valuable in-

sights into what you should be doing?

Was the operation carried out with a minimum of disruption?

Were the consultant's cost figures and timetables realistic?

Would you employ the same consultant again?

The New York-headquartered association's 56-page booklet, "How to Get the Best Results from Management Consultants," goes into the subject in detail.

Does Your Waistline Need Some Slimming?

"His bathroom scale can't tell an executive if he's overweight," one expert says.

In fact, Vincent W. Antonetti adds, "that scale's needle may mislead you. To know if you're too fat or skinny, you must first know what your ideal weight should be.

"Conventional yardsticks — like height — won't give you the answer. Most important is body composition or how much of your weight is flab."

Mr. Antonetti, manager of the Thermal Technology Laboratory at IBM's Systems Products Division, is a well-known lecturer on physical fitness for business.

Here is a table, taken from his book, "Fitness Management," that gives you a clue to what shape you really are in. If your weight is 140 pounds, for example, and your waist size is 30, your percent of body fat is 10.4.

Percent Body Fat for Men

Weight in Lbs.	Waist Size — inches							
	30	32	34	36	38	40	42	44
140	10.4%	16.4%	22.3%	28.2%	34.1%			
150	9.2	14.7	20.3	25.8	31.3			
160	8.1	13.3	18.5	23.7	28.9	34.0%		
170		12.0	16.9	21.8	26.7	31.5		
180		10.9	15.5	20.1	24.7	29.3	33.9%	
190		9.9	14.3	18.8	23.0	27.4	31.7	
200		9.0	13.1	17.3	21.4	25.8	29.7	33.9%
220			11.2	15.0	18.7	22.5	26.3	30.1
240			8.6	13.0	16.5	19.9	23.4	26.9
260			6.2	11.4	14.6	17.8	21.0	24.2

For the average male, body fat should be less than 20 percent of his weight. For women, Mr. Antonetti says, the percentage is harder to figure.

If you're a fatso, what should you do? Bring your weight down by good diet and exercise.

The penalty for not doing so? It can be lethal.

Building a Better Corporate Image

"Your letterhead says hello," says a New York graphic arts designer.

"It also shakes your customer's hand. It's your introduction to him. If he gets a flabby, dead-fish handshake, you're in trouble."

Elementary?

Perhaps, but that's the way a lot of letterheads greet customers, he finds.

Vincent Calio, chief designer for Lefkowitz, Inc., recently made a survey of company letterheads for the Cotton Fiber Paper Council. Many left much to be desired.

"Our analysis," he says, "showed that most letterheads did make impressions on their readers. Unfortunately, more than 80 percent needed improvement."

What mistakes were most common?

- Incompatible design elements.

"The corporate logotype, company name, address, phone number, and executive's name should form a cohesive unit," Mr. Calio says, "both for type face, type size, and logo."

- Poor choice of corporate symbol.

"The logotype should be readily identifiable, print well even in the small letterhead size, and reflect the type of business the company is in," he adds.

- Inferior stock.

"Clothes make the man. Paper that looks and feels like quality does the same for company image."

- Sloppy printing.

"Be sure it's sharp, not fuzzy. Engraving, too."

- Envelopes that let your letter down.

"Both should be classy. Putting your smart stationery in a shabby package is poor economy."

How can you cure a drab introduction?

"See a good, local graphic arts designer," Mr. Calio recommends. □

Nation's Business readers...

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"Our Lockheed tracks our molding production, —and saves us \$30000 a month."



An interview with Peter Gilman of Shape, Symmetry and Sun, Inc., a Biddeford, Maine plastic moldings manufacturer.

Q: Do you use the Lockheed System III for anything else?

A: It performs all accounting for us and also keeps tabs on some of the inventory. We've been growing fast—we've headed past \$5,000,000 in sales—and tracking our molding production is no small chore.

Q: Who uses the Lockheed system?

A: I'm in charge, but all of our foremen enter their own data into the Lockheed to get the needed reports. The terminal tells them what to do and where to put the data.

Q: Why did you go to Lockheed?

A: Price was a big reason. Also the system can grow with us.

Q: Does that mean you've got bigger plans for it?

A: Oh, yes. It's going to cover everything from scheduling to order entry to shipping. And it will also report on all assembly work.

Q: Any second thoughts?

A: We have no regrets about purchasing the system.

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Break Up HEW Into Separate Departments?

IN 1939 President Franklin D. Roosevelt created the Federal Security Agency to oversee several social programs that had been conceived or expanded by New Deal legislation.

The new umbrella agency was given jurisdiction over Social Security, the Public Health Service, the Food and Drug Administration, welfare, and education, among other activities.

Because these and other programs within its jurisdiction were either just getting started or very narrow in scope, the new agency had only a relative handful of employees, and its total spending was less than \$900 million a year.

By the time the agency was upgraded to the Department of Health, Education, and Welfare in 1953, it had 35,000 workers and programs with a combined budget of \$5 billion.

Today HEW has 159,000 employees,

disburses \$160 billion a year, and touches the lives of nearly every American in one way or another.

This explosive growth has raised the question of whether the vast department has simply become so big that it is unmanageable. Those who think HEW has more responsibilities than it can effectively handle say the department should be split into two or even three entities.

The Senate Governmental Affairs Committee, for example, is considering legislation to create a Department of Education, leaving the health and welfare functions in the present department. Other proposals have been made for separate departments of health, education, and welfare.

Those advocating the separation of HEW's present functions say the areas involved are too vast, with too many important subdivisions to be adminis-

tered effectively by one Secretary and his top staff. Health, education, and welfare, the argument goes, are each sufficiently broad to require the full-time attention of a cabinet officer.

On the other side of the debate, it is argued that dividing HEW into separate departments would amount to giving up trying to curb the runaway growth of government. In time, it is argued, each of the new departments would be bigger than the present one.

If HEW has become unmanageable, opponents of division say, it should be brought under control by abolishing or curtailing programs of slight or questionable value and by recognizing that there are limits to how much Washington can do to solve social problems.

Should the Department of Health, Education, and Welfare be broken up into separate departments? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Break up the Department of Health, Education, and Welfare?

☐ Yes ☐ No

Comments:

Name and title

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The Effect of Tax Policies on Initiative

THE INCESSANT RISE in the cost of living has made Americans acutely aware of the value of each dollar.

Taxes are an important ingredient in living cost. A Tax Foundation study shows that an average worker spent 162 minutes of each day on the job this year—as against 121 minutes in 1950—earning the money to pay for federal, state, and local taxes.

"The Sound Off to the Editor" question in the October issue of *NATION'S BUSINESS* asked: "Do our current tax policies discourage individual initiative?"

By a wide margin, those who responded say yes.

"Taxes are like divorce payments," says John A. Bambeck, president of John A. Bambeck and Associates, Medina, Ohio. "They never seem to end. We could surely run this nation with a minimum of taxation."

Says H. D. Kneppshield, a dentist in North Highlands, Calif.: "Our entire social structure is rapidly becoming one of 'why work?' Those of us who are working for a living are looking more like fools every day. The tax system is one reason."

Many readers cite the effect of the graduated income tax as wages and salaries rise with inflation.

"The taxpayer's buying power is less

when he moves up into higher tax brackets," points out J. R. Keys, chairman of Rader Companies, Inc., Portland, Oregon.

David H. Boisselle, salesman for The Leather Shed in Amherst, Mass., gives this experience: "Not long ago I received a \$10 raise. Was I ever shocked to find a net increase of \$2.16 in my paycheck."

Thomas D. Gould, assistant trust officer for Peoples Bank & Trust, Trenton, Mich., says that in his youth he was taught that the American system of government "gives each individual a right to better himself through his own endeavors. But this is only a fairy tale in the real world. Each time wages increase, the tax shadow gets larger."

One danger cited is that taxes threaten capital formation, without which businesses cannot expand and new jobs cannot be created.

Says T. N. Taube, chairman of Koracorp Industries, Inc., San Francisco: "Capital formation in a capitalistic system is predicated on a risk/reward ratio which is sufficiently attractive to the capital source." He says that U. S. tax policies "impact unfavorably on this important risk/reward equation, thereby discouraging and ultimately eliminating new capital formation."

"Reduction of taxation to business

must be implemented to stimulate growth and to decrease unemployment," says Michael D. Dorsey, president of Dorsey Bookkeeping Service, Inc., Champaign, Ill.

Roland W. Donnem, vice president-law of the Chessie System, Cleveland, says President Carter's forthcoming proposals for tax-law changes, "as so far revealed, are a great discouragement to business—they reflect the drive toward egalitarianism and disregard for initiative, hard work, and ability."

R. F. Ranzinger, director of telecommunications for the Olin Corp., Stamford, Conn., says he is "discouraged" by reports that the President plans to ask Congress to put a ceiling on the amount of mortgage interest that can be deducted from income tax.

Some respondents argue that because the U. S. tax system is so complex, people waste many hours trying to decipher tax regulations.

"One has to spend so much time on tax angles that should be spent on production angles," says Ralph Patterson, director of The Roseburg School of Dancing, Roseburg, Oregon.

Richard Putman, president of Paul's Enterprises, Inc., Mankato, Minn., says that "because of the excessive tax bite in upper brackets," Americans



Lynn Minnick (far right), an accountant who is teaching an income tax course at Northern Montana College, in Havre, Mont., assigned these students to answer the October "Sound Off to the Editor" question. As do most readers who responded, most of the students feel current tax policies discourage individual initiative. "Everytime you turn around, it seems like you are taxed for everything and anything," one student says. Another says: "You wonder why you should work when you spend 162 minutes of each day just to pay your taxes."

spend "an extraordinary amount of mental energy figuring out how to win at the tax game." He adds that this mental energy could probably "run some of the smaller nations."

Other respondents say Americans discouraged by high taxes sometimes prefer extra leisure time to pay raises.

"More and more individuals are opting for increased leisure in lieu of increased compensation," says H. Avery Rafuse, director of taxes and assistant treasurer of Pechiney Ugine Kuhlmann Corp., Greenwich, Conn.

"Taxes are confiscatory, making it an exercise in futility to work long hours," says Wilbur H. Eckstein, president of American Commission Paper Co., St. Louis. "I play more tennis and work much less."

David L. Smith, a partner in the Garner and Smith Bookstore, Austin, Texas, knows a businessman "who keeps his shop open only three days a week. If he makes more money, he simply has to turn it over to the government to be used for programs which he opposes."

Readers frequently say that their worry is not so much over the taxes they must pay, but over where the tax dollar is going.

Says John V. Whiting, president of Repco, Inc., Orlando, Fla.: "I'm much more concerned about the tragic and wasteful use of the taxes." He adds: "I love to pay taxes for the real needs of this country."

John J. Burke, head of the governmental affairs office of the New Jersey Business and Industry Association, Trenton, says: "Initiative is eroded, not by taxes, but by the poor value of the product our taxes produce."

On the minority side, B. J. Walthers, president of Wm. K. Walthers, Inc., Milwaukee, says: "Initiative responds to tax policies, with capital shifting to take advantage of the current situation. Tax policies challenge initiative, reducing the rewards for it, but do not discourage it."

Netta Rosen, office manager at Nu-Life Dental Lab, Brooklyn, N. Y., says: "Those who strive to better themselves continue to do so whether or not the tax bite will be greater. One may resent the higher taxes, but one continues to strive nevertheless."

However, R. S. Elliott, president of Royell, Inc., Mt. View, Calif., says: "Our history prior to 1950 centered on the American Dream, a society of opportunity and ideas, with creativity paying dividends. Our tax policies crush incentive for thinkers." ☐

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Toughest Business Battles in 1978

By Robert T. Gray

THE 1978 session of Congress could mark the most crucial period of the Carter presidency.

That session will be a battleground for determining, in large measure:

- Whether the President can overcome problems that have plagued his first year in office. Those problems, many stemming from his own and his staff's inexperience, frequently soured his relations with his party's congressional majorities and with constituencies that combined to give him his narrow election victory in 1976.

- Whether he can live up to the can-do image he sought to convey during his election campaign and bring about the major changes he has promised in economic and social areas.

- How Democratic candidates will fare in the 1978 congressional off-year elections. G. O. P. candidates will generally be running against the joint record of the Democratic President and the Democratic majorities in Congress. Significant G. O. P. gains next November would further erode the President's none-too-firm base in Congress and make it more difficult for him to build a solid basis for a 1980 reelection bid.

Agenda already set

Most of the 1978 congressional agenda has already been set, well ahead of the State of the Union message in which the President traditionally makes his major recommendations to a new session of Congress.

A flood of proposals from the Carter White House has reached Congress

this year, and even the President himself has conceded he may have been trying to do too much too soon.

He had planned to send major tax-revision proposals to Congress by early October. But, after several delays, he postponed his tax message until next year because Congress was already faced with a large work load, particularly on energy legislation.

Mr. Carter told a recent news conference:

"I was thinking the other day about what new, major innovative proposals might be forthcoming next year and the year after. I can't think of any. I think we have addressed all of the major problems already.... I think most of the major debates now have already been initiated."

Business is apprehensive

Nearly all those debates have a direct connection with such key business concerns as government regulation and its cost.

Extensive changes in tax policy, revisions in labor law, further energy legislation, proposals for more regulation of business, and counterproposals for regulatory reform will be among the controversial matters business will be watching during the 1978 congressional session.

Business observers on the Washington scene are awaiting the session with apprehension that the strong political currents of 1978 will create pressures for governmental departures that could harm the enterprise system.

The 1977 congressional session just

ending produced mixed results as far as that system was concerned.

Business applauded decisions to reject construction-site picketing legislation, a consumer protection agency, the cargo preference bill, and aspects of Clean Air Act amendments that don't provide as much flexibility for economic growth as business sought.

Business also approved legislative decisions to approve construction of the Canadian route for the Alaskan natural-gas pipeline, encourage career education in schools, create the Department of Energy, curb abuses in Medicare and Medicaid, authorize the President to propose government reorganization, require the Occupational Safety and Health Administration to formulate by Jan. 1 a plan for on-site consultation, continue the Overseas Private Investment Corp. through 1980, and delay for at least one year higher taxes on Americans working abroad.

This year's action on energy legislation was not sufficiently far along at presstime to evaluate its total impact on business.

Effect on the future

On the other hand, Congress has mandated a 45 percent increase in the minimum wage over the next four years and is on the verge of approving the largest increase ever in Social Security taxes. Those steps and such other actions as prohibiting mandatory retirement before age 70 will affect business costs for years to come.

Likewise, many of the decisions Con-



PHOTO: EDWARD HENCO—BLAKE STAR



House Speaker Thomas P. (Tip) O'Neill (D.-Mass.) is considered President Carter's leading congressional ally in the coming legislative clashes.

Senate Majority Leader Robert Byrd (D.-W. Va.), right, and Minority Leader Howard Baker (R.-Tenn.) will be key figures in shaping the 1978 record of Congress.

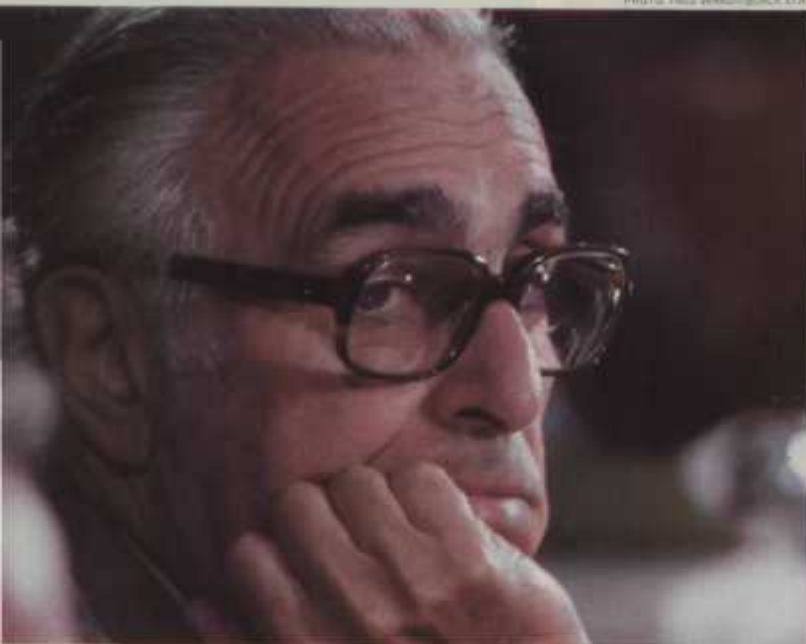


PHOTO: GEORGE JAMES

As the veteran chairman of the Senate Finance Committee, Russell Long (D.-La.) is a dominant figure in such important areas as tax policy and welfare reform. Issues in those areas will be among the most controversial of the 1978 congressional session.



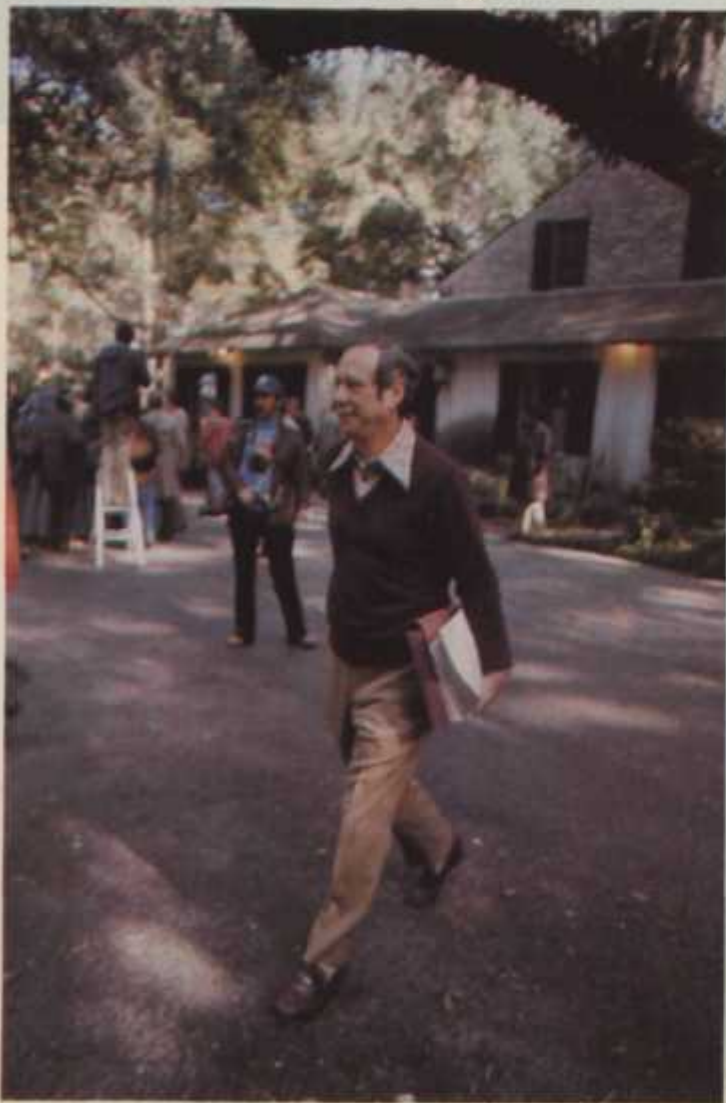
Rep. Al Ullman (D.-Oregon), chairman of the House Ways and Means Committee, will preside at the initial hearings on the President's tax-revision plan.



Regulatory reform legislation has a highly influential sponsor in Abraham Ribicoff (D.-Conn.), chairman of the Senate Government Operations Committee.



Support for regulatory reform is bipartisan. Sen. Charles Percy (R.-Ill.) has joined Sen. Ribicoff in sponsoring reform legislation.



Treasury Secretary W. Michael Blumenthal, shown here en route to a meeting with President Carter at Camp David, is a key presidential adviser on tax policy.

gress makes next year will set government policies that the nation will be living with into the next century.

A list, compiled by NATION'S BUSINESS, of 17 important legislative battles that business will be watching in the 1978 congressional session follows.

TAXES

What is involved—Whether a new round of major changes should be made in the Internal Revenue Code, and what kind of balance should be struck between providing relief to individual taxpayers and encouraging the business investment needed to provide jobs.

Major proposals—While President Carter's specific recommendations will not be announced until early next year, insiders believe he will propose cuts totaling some \$30 billion—\$23 billion for individual taxpayers and \$7 billion for business. The President has said: "We have an early need to simplify the tax system, to provide more equity, to modify the tax rates, and to improve capital formation."

Business is concerned, however, over Mr. Carter's plans to abolish preferential tax treatment for capital gains and eliminate or curtail other tax-law provisions that have encouraged business investment.

During consideration of the tax legislation, proposals will come from business spokesmen urging a tax policy that encourages capital formation and from liberal groups urging sharply increased taxes for business and upper-income taxpayers.

Outlook for action—Debate over tax revision will take most of the 1978 congressional session. There is speculation on Capitol Hill, however, that legislation to cut individual income taxes might be given priority treatment, if needed to bolster the economy, with other proposed revisions to follow.

SPENDING

What is involved—Whether recent trends of substantial inflationary annual increases in federal spending, accompanied by massive deficits, will continue, or whether Congress will recognize the need to begin curbing outgo in order to improve the health of the economy.

Major proposals—The budget President Carter sends Congress early next year will be the first for which his administration is entirely responsible. That budget will be examined for clues as to whether he can meet his goal of a balanced budget by the end of his term. Despite his goal, Mr. Carter will be the first President to send Congress a budget with total spending of half a trillion dollars. That total will most likely be reached next year.

Labor-liberal members of Congress are already complaining that the President's fiscal policies fall short of what is needed to stimulate the economy, establish the government as the employer of last resort, and expand social programs. Senators and representatives on the conservative side say that, despite rhetoric on behalf of economizing, the Carter administration's fiscal policies are keeping the nation on a disastrous spending course.

Outlook for action—In the absence of unlikely changes in existing laws that govern spending, Congress will approve a federal budget in the area of \$500 billion for the fiscal year beginning next Oct. 1. If the economy worsens appreciably, antirecession spending will send the total far above that amount.

ENERGY

What is involved—A determination of what further action is needed to achieve a national energy policy that will enable the U.S. to reduce its dependence on foreign energy supplies.

Major proposals—Despite extensive congressional action on energy over the past several months, the 1978 session will see renewed efforts to use market forces to spur exploration for new energy supplies. Proposals to deregulate natural gas and eliminate other government-imposed controls that have discouraged exploration will be pressed by free-market advocates. Liberal counterproposals calling for greater government price controls and the breakup of major oil companies will also be urged on Congress.

Outlook for action—Energy will be a major issue in Congress as long as the country continues to rely on foreign sources for a substantial amount of its requirements. Many observers in Washington believe that much greater efforts to stimulate production are still needed. Much of the 1978 debate will center on that issue.

LABOR LAW REVISION

What is involved—Whether the federal government should help arrest the decline of unions by making it easier for them to organize workers.

Major proposals—The AFL-CIO is pressing for passage of a far-reaching bill that would drastically curb the ability of employers to resist organizing attempts and would make organizational and administrative changes that would intensify what business believes is the National Labor Relations Board's prolabor bias.

Outlook for action—The House has already approved the union-sponsored measure. The Senate is expected to act early in the 1978 session. Business hopes to demonstrate to senators that the measure is aimed at benefiting the leadership of big labor and would be detrimental to individual workers as well as to the general economy.

PUBLIC EMPLOYEE BARGAINING

What is involved—Whether the federal government should grant employees of state and local governments bargaining rights that include the right to strike, a union shop, and other powers now prohibited by many state and local laws.

Major proposals—Legislation pending in the House Labor Committee would extend to state and local govern-

ment employees the same organization and bargaining rights private-sector workers have under the National Labor Relations Act.

Outlook for action—The House committee is expected to complete action on the legislation early in the 1978 session. Strong opposition, not only from business but from state and local governments that would be faced with substantial cost increases, makes the legislation's prospects of passage uncertain.

REGULATORY REFORM

What is involved—Whether the federal government is ready to recognize the crucial need to begin solving a problem of its own making—the drag of regulations and paperwork on the economic system.

Major proposals—Several regulatory reform proposals, that take different approaches, are pending in Congress. The business community is hopeful that this is a sign of growing congressional concern over regulation. One of the leading recommendations drawing support on Capitol Hill is the so-called sunset plan for a continuing review of each government agency to determine whether it is cost-effective. Agencies that did not pass the test would be scrapped.

The Carter administration is hoping to implement eventually a zero-base budgeting plan, under which each government agency would have to justify its entire budget every year. In the past government agencies have been required only to prove a need for additional funds, with the agencies' continuing existence assumed. Zero-base budgeting makes no such assumption. While the zero-base approach covers most government activities, advocates consider it an effective tool for curbing the growth of regulatory agencies in particular.

Outlook for action—Approval of some form of sunset legislation is considered likely next year. Whether it will be a genuine reform that curbs regulatory excesses remains to be seen. President Carter hopes zero-base budgeting will be a major step toward his goal of a balanced budget, but a full zero-base plan is not expected next year.

Business organizations in the meantime will continue pressing for relief in such specific regulatory areas as environmental controls, job safety, equal opportunity, and other controls that often are overly costly to business without achieving the goals set forth

in the original legislation. Many communities are concerned, for example, that demands of environmental-control agencies are wiping out local, job-providing companies while achieving only marginal improvements in the environment. Business will also continue to seek relief from Occupational Safety and Health Administration enforcement that interferes with production without offsetting gains in either safety or health on the job.

WELFARE REFORM

What is involved—Whether the welfare system, which has become more costly and less effective, can be structured to avoid long-term dependency and assure that only the genuinely needy are assisted and that working is more attractive than drawing benefits.

Major proposals—President Carter has sent Congress a welfare-reform plan—the latest in a long and thus-far fruitless series to issue from the White House in recent decades—that he says will encourage welfare recipients to seek and hold jobs. Critics view the plan as a variation on the guaranteed-annual-income concept that Congress has rejected in various forms over the years. Business opposes, because of the tremendous cost, any national income-maintenance programs that would provide direct welfare benefits to the employed. Business continues, with growing public support, to urge passage of legislation prohibiting payment of welfare benefits to workers who have voluntarily left jobs to go on strike, and it also urges taking other actions needed to assure that welfare is not abused by those able but unwilling to work.

Outlook for action—The President's plan has already run into stiff opposition from key members of Congress who have major responsibility for welfare legislation. Important revisions will be made in the White House recommendations before the legislation reaches the floor, and final action may be put off until 1979. The challenge is to make sense out of a maze that includes not only direct welfare, but a wide range of other activities such as providing food stamps, housing, medical care, job-training, and other allowances.

NATIONAL HEALTH INSURANCE

What is involved—Providing medical care for all citizens in the most effective and economical manner.

Major proposals—President Carter has endorsed a national health insur-

Congressional Scorecard 1978



	Win	Lose
TAXES		
SPENDING		
ENERGY		
LABOR LAW REVISION		
PUBLIC EMPLOYEE BARGAINING		
REGULATORY REFORM		
WELFARE REFORM		
NATIONAL HEALTH INSURANCE		
CONSUMER PROTECTION AGENCY		
PANAMA CANAL		
INTERNATIONAL TRADE		
PREGNANCY DISABILITY		
ECONOMIC PLANNING		
ELECTION LAW REVISIONS		
ILLEGAL ALIENS		
POSTAL REORGANIZATION		
LOBBYING CONTROLS		

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ance concept supported by big labor and congressional liberals. Under that approach, health care would be provided through a government financing mechanism based on payroll taxes and general revenues. Business is supporting legislation that would require health insurance coverage for all employees, with employer and employee sharing premium costs 50-50, and would authorize the federal government to pay premiums for the needy. While favoring actions to contain rapidly escalating medical costs, the business community opposes such pending proposals as a hospital cost-control measure that would set arbitrary profit margins.

Outlook for action—The massive increases Congress has voted in Social Security taxes reduce the chances that still more payroll taxes will be sought to finance any extensive program of national health insurance. Public protests over the Social Security increases are growing.

CONSUMER PROTECTION AGENCY

What is involved—Whether an additional government agency should be

created to represent consumers before other government agencies.

Major proposals—The Carter administration is supporting legislation to establish a consumer-affairs agency as a separate entity of government. Business views such an agency as a costly, unneeded addition to the many government agencies that now have consumer-protection responsibilities. Business also argues that creation of another government bureaucracy would conflict with the repeated assertions of the President and many members of Congress that the size of the federal government should be reduced, not expanded.

Outlook for action—Congressional leaders withheld the consumer legislation from the floor this year in the face of major sentiment against it. House members are reluctant to contribute to government growth in the face of what they view as constituent opposition to any such growth. Capitol Hill sources report they see no change in that situation in the near future.

PANAMA CANAL

What is involved—Whether the United States should turn the Panama Canal over to the Republic of Panama.

Major proposals—The Senate has pending two treaties signed by the President of the United States and Panama's ruler under which Panama would acquire sovereignty over the Canal Zone and operational control over the canal by the year 2000. Senate approval is needed to make the treaties effective. Some House members insist approval of that body is also required because the Constitution specifies that approval of the full Congress is needed to dispose of U. S. property.

Outlook for action—The canal treaties, with their ramifications in both defense and economic areas, will be the center of a major political controversy in Congress during 1978, but there is speculation that no Senate vote will be taken until after the congressional elections next November.

INTERNATIONAL TRADE

What is involved—Whether U. S. trade policies should continue to encourage global commerce free of unreasonable barriers.

Major proposals—Recommendations have been made in Congress for various forms of protectionism, including mandated quotas and other types of limitations on imports. Other bills would restrict foreign investment in

this country. The increase in protectionist sentiment has revived talk of legislation to put drastic curbs on activities of multinational companies. The White House, while supporting the concept of voluntary quotas in some industries, has resisted mandatory limits as disruptive of both the national and international economies.

Outlook for action—Members of Congress calling for trade barriers to keep out some foreign products are expected to be challenged by other members whose constituencies, such as farmers, have an important economic stake in keeping trade channels open.

PREGNANCY DISABILITY

What is involved—Whether employers should be required by federal law to provide worker compensation coverage for absences due to pregnancy.

Major proposals—White House-supported legislation pending in Congress would require employers to provide such coverage. The legislation was introduced to overturn a Supreme Court decision that such coverage was not mandatory. Business believes that coverage should be determined by employers or through labor-management contracts and that federally mandated coverage would lead to higher premium costs which would have to be passed on to consumers.

Outlook for action—Business is concerned that the legislation will win congressional approval, in response to pressures from labor and several women's groups, before the legislation's full economic ramifications have been evaluated.

ECONOMIC PLANNING

What is involved—Whether centralized economic planning machinery should be established in an effort to assure full employment.

Major proposals—Concern that some economic signals might point to an economic downturn has revived proposals for antirecessionary measures that include the Humphrey-Hawkins bill. That bill, sponsored by Sen. Hubert Humphrey (D-Minn.) and Rep. Augustus F. Hawkins (D-Calif.), would mandate government action to keep the unemployment rate down to a specified level. Four percent has been most often mentioned. The rate now is seven percent. The Humphrey-Hawkins bill also contains various provisions that critics say raise the prospect of a national economic planning system which would give the federal government vast powers over the nation's



Rep. Neal Smith (D-Iowa) is chairman of the House Committee on Small Business.

economy. Related proposals would reduce the Federal Reserve Board's authority to control the national money supply and would give that authority to Congress and/or some other agency dominated by Congress or the White House. Business opposes centralized economic planning as a basic threat to the competitive enterprise system.

Outlook for action—Strong efforts to move economic planning legislation out of the House Labor Committee, where it is now under consideration, have been intensified as the unemployment rate continues to edge upward. The issue of Federal Reserve Board independence will be resolved separately, probably after Congress learns whether President Carter renames Arthur Burns as Federal Reserve Board chairman, and—if he does not—who is named to succeed Mr. Burns. Mr. Burns has thus far managed to fend off efforts to decrease the board's independence, and an equally strong-minded successor would be expected to do the same.

ELECTION LAW REVISIONS

What is involved—Whether to require states to permit instant voter registration; whether federal employees should be allowed to be active in partisan politics; whether the Treasury should help subsidize congressional campaigns; whether the Electoral College should be scrapped in favor of direct election of the President.

Major proposals—All those features were contained in a broad plan President Carter submitted to Congress. He urged that individuals be allowed to register to vote on Election Day and then immediately cast their ballots, that the Hatch Act barring partisan activity by U.S. government workers be repealed, and that tax funds be used to subsidize costs of candidates for Congress. Business has opposed those provisions on the ground they would harm, not improve, the electoral process. Business has long supported proposals for a constitutional amendment to provide for the direct election of the President.

Outlook for action—Strong opposition in the House has stalled the instant registration and congressional subsidy plans, but backers will be pressing for action early in the new session. Senate opposition makes uncertain final approval of House-passed Hatch Act repeal. Also, the Senate has traditionally been the source of the most antipathy to abolishing the Electoral College, which enhances the vot-

ing power of the smaller states. Prospects for Senate action on both those issues next year is doubtful.

ILLEGAL ALIENS

What is involved—Whether employers should be responsible for enforcing immigration laws in connection with individuals illegally in the United States.

Major proposals—One bill would make it unlawful to hire persons known to be illegal aliens. Another would disallow tax deductions for employers of such aliens. President Carter has recommended a form of amnesty to permit persons who entered the country illegally before 1970 to eventually obtain full citizenship. Those who entered between Jan. 1, 1970, and Jan. 1, 1977, could be designated temporary resident aliens for five years pending final determination of their status. The President's plan would also authorize injunctions and provide for fines against employers who knowingly hired illegal aliens.

Outlook for action—Prospects are dim for passage of the White House amnesty bill. Congress has been unable to strike a balance between actions needed to deter illegal aliens from entering this country and the need of many employers for alien laborers to fill jobs that Americans turn down. Efforts will be made to write legislation achieving both of those goals.

POSTAL REORGANIZATION

What is involved—Whether the goal of having a quasi-independent U.S. Postal Service should be abandoned and the organization returned to congressional control, and whether private companies should be afforded greater opportunities to provide mail services.

Major proposals—One measure that has received much attention would return full financial control of the problem-plagued U.S. Postal Service to Congress. Other measures would recapture for Congress all or some of the authority over finances, rates, and services that was given to the Postal Service when it was created with the ultimate goal of making the mail system self-supporting. Still other proposals would allow private enterprise more opportunity to compete with the Postal Service.

Outlook for action—Congress is expected to seek ways to improve Postal Service operations and financing in hopes of preserving the organization as



The Senate's Select Committee on Small Business is headed by Sen. Gaylord Nelson (D-Wis.).

an independent entity. Returning the Postal Service to congressional control would be a last-ditch move that is not anticipated at this time.

LOBBYING CONTROLS

What is involved—Whether rights of individuals, companies, and associations to petition members of Congress or the executive branch should be circumscribed under the guise of lobbying reform.

Major proposals—Various bills pending in the House would require extensive registration, reporting, and record-keeping by those who communicate with Congress or government agencies in the course of their business or employment. Business supports revision of existing lobbying laws, but favors equal coverage for all seeking to influence legislation, and opposes reporting and other requirements that would discourage citizens from utilizing the right of free speech and the right to petition the government.

Outlook for action—The House Judiciary Committee is expected to complete action early next year, and the legislation will come up first in the House. □

Washington's New Approach to Antitrust Action

By William Neikirk

The Carter administration has put antitrust enforcement in the hands of two activists—and they have ambitious agendas



Michael Pertschuk is the chairman of the Federal Trade Commission. He comes from Capitol Hill, where he was a Senate committee counsel.

TALK OF TOUGH antitrust enforcement seems to flourish when a new administration comes into power. The promise of antitrust action flows so easily off the tongue.

Then, as time progresses, the promise somehow never measures up to the reality. The government and the people alike have to learn anew how complex the antitrust field really is.

But now, with President Carter's antitrust teams firmly entrenched at the Justice Department and the Federal Trade Commission, the business community may well be in for an era of more antitrust activity than has been seen in decades. The reason is not any new law or particular political direction, but the nature of the people Mr. Carter has put in charge of antitrust enforcement.

Odd couple of antitrust

They are John Shenefield, 38-year-old head of the Justice Department's Antitrust Division, and Michael Pertschuk, 44-year-old chairman of FTC; and both are activists.

They are surely the odd couple of antitrust. Mr. Shenefield, a Richmond,

Va., attorney, came from the world of corporate law, where he was on occasion an antitrust defense lawyer. Mr. Pertschuk came from the political whirl of Capitol Hill, where he spent 13 years as chief counsel to the Senate Commerce Committee and was the architect of legislation on truth in packaging, consumer product safety, and flammable fabrics.

Mr. Pertschuk's liberal credentials never were in question; consumerist Ralph Nader strongly supported his nomination. Mr. Shenefield may have worked in a conservative arena, but he now admits to a strong populist streak.

Like any other field of the law, the antitrust statutes leave wide room for administrative discretion. Mr. Shenefield and Mr. Pertschuk appear ready to exercise this discretion more frequently than their predecessors.

For example, a Justice Department official says Mr. Shenefield's predecessors "felt that the prosecutorial authority of the department weighed heavily on them. On the other hand, Shenefield is a litigator. He feels the Antitrust Division doesn't have time to sit down and do a Ph. D. thesis on a

case before prosecuting. His predecessors had to be 90 percent certain of success before prosecuting. You give him 65 percent, and he'll go. It's his job to bring cases—not frivolous cases, not weak cases, but good cases."

More test cases

At FTC, Alfred Dougherty, Jr., director of that agency's Bureau of Competition, says the agency under Mr. Pertschuk "will be more vigorous than in the past, there's no question about that." Mr. Dougherty predicts more test cases in the antitrust area, an effort to use FTC's rule-making authority to prevent anticompetitive activity, a possible attempt to get new antitrust legislation, and a continuation of current investigations of the oil and automobile industries.

At Justice, Mr. Shenefield has already laid down an ambitious agenda for the Antitrust Division, which now has a staff of 420 lawyers. One of his major aims is to stretch the reach of the Sherman Antitrust Act to attack what he considers too much economic concentration in American industry.

Within the next year, an official



John Shenefield is the head of the Justice Department's Antitrust Division. He comes from the world of corporate law.

says, Mr. Shenefield's division hopes to bring a suit against an industry charging that it is a "shared monopoly" and therefore illegal. Some likely targets: steel, oil, aluminum, and iron ore.

From a trustbuster's standpoint, a shared monopoly operates along lines roughly akin to the three musketeers' "all-for-one-and-one-for-all" philosophy. A handful of large companies controlling 80 to 90 percent of the market in an industry do not really engage in competition, it is alleged, but conspire by various means to raise their prices. From a competitive standpoint, the trustbusters say, these companies are acting as if they are one monopoly.

Signals between companies?

It is a controversial concept, opposed vigorously by lawyers for business interests. No court has ever endorsed the concept, and even attorneys within the Antitrust Division doubt whether the Sherman statute can be stretched that far. Mr. Shenefield seems determined to try to do so.

The two sections of the Sherman Act are extremely broad, but Justice law-

yers feel that, to prove their case of a shared monopoly, they must show that prices within a concentrated industry move in lockstep in response to a signal between the various companies. The trustbusters say these companies do not need to get in a smoke-filled back room to conspire on prices, but have various forms of signals.

To antitrust lawyers, the most obvious signal is the public announcement of a price increase. The lawyers say that, once the announcement is made in some industries, other companies fall in line like copycats; steel is the example most often cited.

"We'll bring a price-signaling case—one where all the communication is in the open," a Justice official says. If this happens, chalk it up to Mr. Shenefield's belief that the law should be tested to its outer limits.

Interagency disagreements

Mr. Shenefield's decision to get a piece of the shared-monopoly action clashes with his avowed intention of coordinating all Antitrust Division matters with the Federal Trade Commission. FTC filed the first shared-monopoly case long ago, in the cereal industry, in an effort to test the law.

Asked if Justice's interest in the same area doesn't amount to duplication, FTC's Alfred Dougherty says: "We do work together, probably better now than at any time in the past. We have our disagreements, but there is clearly enough room for both of us." Mr. Dougherty says the statute under which FTC operates is much broader than the Sherman Act and would cover shared monopolies more easily.

But Mr. Shenefield's decision raises the question of how well two activists will really get along in the future.

Right now relations appear to be good. According to an aide, Mr. Shenefield is eager to improve clearance procedures with FTC on antitrust cases so that the Antitrust Division and FTC "don't trip over each other." He and Mr. Pertschuk are said to be in almost daily contact with one another.

But friction between the two agencies has been reported in the past. The young, brash FTC staff, with a more flexible law and more zeal, moved much more aggressively than the Antitrust Division. In the process, some

FTC cases were considered by some Antitrust Division lawyers to be less solid and provable than they might be. By contrast, the FTC activity made the Antitrust Division look weaker, less effective, and certainly less flashy.

FTC's activism has also brought it into sharp conflict with some elements of the business community and some congressmen. FTC officials shrug this off. "My reaction is that if we are not being criticized, we're not doing our job very well," Mr. Dougherty says. He praises the FTC staff for professionalism.

FTC is now concentrating its activity in the food, transportation, health care, and energy industries.

Antitrust enforcement activities seem to follow fads—or economic movements of the day. At the Justice Department, during the late 1960's when many large companies were merging into conglomerates, the Antitrust Division focused much of its activity in this area. Then, under Presidents Nixon and Ford, it began a price-fixing crackdown. Mr. Shenefield has promised that the division won't let up with its price-fixing impetus while it branches out into other fields.

Delays in the courts

More than 100 price-fixing cases are being investigated by grand juries now, and these probes consume much of the time and effort of the division's lawyers.

Justice officials complain that this manpower problem has been a key obstacle to vigorous enforcement of the antitrust statutes and is why the Antitrust Division is always cautious about trying to break up big companies through the courts.

Long court delays in antimonopoly cases recently caused Attorney General Griffin Bell to suggest that the best way to end economic concentration and monopoly practices is through legislation.

Not all agree with the Attorney General. Mr. Dougherty, for example, suggests that sentiment in Congress in this day and climate is so adverse to extension of antitrust authority that Congress probably would not now approve FTC's far-reaching antitrust power if it had the opportunity to do so over again. He also says that sweeping

deconcentration legislation proposed by the late Sen. Philip Hart (D.-Mich.)—while admirable from a trust-buster's standpoint—is "just too fast."

If there is legislation, Mr. Dougherty indicates it might be in the energy field, possibly in the form of a moratorium on further acquisitions by oil companies of companies in related energy fields, such as coal and uranium. At the very least, he says, FTC is working on a policy in this area in response to proposals on Capitol Hill.

Mr. Shenefield is deep into energy, too, and regards it as a major new thrust of Justice Department antitrust efforts. But just where his studies will lead is uncertain.

He has established an Energy Policy Group within the Antitrust Division so that, Justice Department officials say, for the first time anything dealing with energy will be discussed on a coordinated basis by various Justice Department agencies.

"Energy had not been focused on as such," one official says. "There had been no coordinated look."

Partly as a result of the new coordination, an investigation has been launched into possible "anticompetitive conduct" by international oil companies.

Pipeline ownership probed

The Energy Policy Group is also looking at the ownership of pipelines by oil producers. The Justice Department recently recommended that oil producers not be allowed to own a natural gas pipeline to ship newly discovered Alaskan natural gas.

It is still not known whether the Antitrust Division will come out with major new legislation to restructure American industry or attempt to ban horizontal ownership, such as would be evident if oil producers also owned a uranium firm. In the presidential campaign, Jimmy Carter talked vaguely against economic concentration in the United States and favored horizontal divestiture in the oil industry.

A Shenefield aide guesses that, if his boss is unsuccessful in bringing a shared monopoly case under the Sherman Act, "he will agree that legislation is needed" to break up economic concentration.

The entire antitrust legal code, meanwhile, is going to be thoroughly studied by a commission somewhat similar to one headed by Attorney General Herbert Brownell in 1954. The new commission is expected to make a report in about six months. Attorney

General Bell, an aide says, "is concerned with the increasing level of concentration in American industry."

American industry is expected to fight hard against attempts to tear down traditional structures of business in this country. And it has an important ally, the Supreme Court of the United States. Government antitrust lawyers trying to extend the reach of antitrust statutes as much as possible have been rebuffed by the court.

In the most celebrated case, the court limited the ability of consumers to recover damages in price-fixing cases. The court ruled that indirect buyers could not bring such an action, only a direct buyer could. Justice Byron White's majority opinion said that allowing indirect purchasers to bring

The business community may well be in for an era of more antitrust activity than has been seen for decades.

an antitrust suit would make antitrust litigation too complex.

The court held in another case that, when a person or corporation attempts to halt a merger through the courts, they must prove that the damage alleged was the direct result of the activity.

Such rulings have caused a rethinking of antitrust policy at FTC. Internal documents of the Bureau of Competition show the bureau is considering courses of action in serious antitrust cases that would stop short of a break-up of companies found in violation.

Reluctance of the courts to find oligopoly structure illegal "may well flow from the courts' fear that drastic structural remedies could lead an industry into the economic abyss," one document says. "This fear is fed by the chronic myopia of the antitrust agencies in focusing on theories of illegality to the virtual exclusion of remedial planning."

A task force assigned to study new penalties short of divestiture will be appointed. Mr. Pertschuk recently told a reporter that advertising limitations and a system in which companies are

required to license competitors to use trademarked products are two possible remedies, but he added that he hesitated to mention them because no final decision has been made.

To some, this may indicate that FTC is backing away from its activist approach, but FTC officials say better remedies should make antitrust enforcement faster and more efficient.

Blocking any big mergers

The documents also indicate that FTC plans to move to block "conglomerate mergers of substantial size" without making any attempt to prove anticompetitive effects on the acquired firm's market. A test case may be sought to show that any big merger probably would result in injury to competition or tend to create a monopoly, in violation of the FTC Act.

"It is clear," one document says, "that the merger laws were a response to congressional fears of excessive economic concentration and were not prompted by narrow concerns about competition in specific markets."

Business faces the possibility of strong activism within the Carter administration in the antitrust field.

Mr. Shenefield told a Richmond newspaper in an interview:

"The central thing to note is that the President is very, very strong on competition. It shows in his appointments to regulatory commissions. It shows in matters like airline deregulation. Rather instinctively, the President goes the competition route."

However, subtle little signs have been showing up in recent weeks indicating that the Antitrust Division and FTC are not eager to jump in with heavy antitrust activity now, when the economy is still operating below capacity and business confidence isn't exuberant.

And a new theme is beginning to pop up in their language—more efficient enforcement. That shows up in FTC discussion of using less chaotic remedies in antitrust cases. It shows up in Justice Department talk of using better management in handling big antitrust cases. It shows up in the closer coordination between the agencies.

Development of new approaches to antitrust enforcement may take time, but few people doubt that Mr. Pertschuk and Mr. Shenefield will tolerate much languishing. □

MR. NEIKIRK reports on the White House and economics for the "Chicago Tribune."

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Businesswomen Get a Champion at SBA

Patricia Cloherty is running
a new government campaign
to help women
who want to go into business

WHY DOES Patricia M. Cloherty, the new deputy administrator of the Small Business Administration, chop down trees on weekends?

She finds the outdoor activity is good therapy for frustrations, notably her so-far-unrealized desire to see more women in top business positions.

Red-haired Pat Cloherty, who is the daughter of a California logger, is now doing far more about that women-in-business frustration than downing trees. She is heading a campaign to increase the number of firms owned by women and the number of women in small business generally.

The effort, which has President Carter's support, is called the Women's Business Ownership Campaign. It was kicked off in August at the White House.

Variety of programs

Ms. Cloherty said the campaign would offer "a combination of management assistance, financial assist-



PHOTO: MASSI CASTELLONE

ance, advocacy, and assistance in securing federal contracts."

SBA Administrator A. Vernon Weaver announced that, as part of the campaign, his agency would acquire a new look: There would be greater emphasis on appointment and promotion of women at SBA.

With that kickoff in the dog days of Washington's humid and hot summer, Pat Cloherty, 35, found herself with a spacious Washington office and a need to go apartment hunting. Until taking the SBA position, she had been a partner in a New York City-based venture capital firm.

One respected publication reported that she would be a deputy administrator for women's affairs. Not so, says Ms. Cloherty. She told *NATION'S BUSINESS* that she is SBA's only deputy administrator, that she is not solely an advocate for women in business, and that if she had been given so restrictive an assignment she would be "unavailable" for the job.

Quality of steel

"But I do intend to call the shots in the women's program," she says.

While there is a ready smile and an air of easy banter about her, there is also a quality of steel. For example, an initial reaction:

"People in Washington think everything has to be done overnight with a big splash. I don't, but that's my problem, and I'll deal with it."

Basically, she says, SBA will get its women's assistance campaign started by using existing programs to reach out and inform women about what is being offered by the agency and "to expand their thinking about the nuts and bolts of business."

Series of seminars

Throughout the nation, regional and district SBA offices have begun holding 90 one-day seminars for women who think they want to get into business, but haven't definitely decided that they should.

"Also," Ms. Cloherty says, "we will hold 15 two-day seminars for women who know they want to get into business or already are in business. And seminars for women already in business who are interested in receiving federal government contracts."

The two-day seminars will be coupled with individual counseling by SBA management assistance experts and members of the Service Corps of Retired Executives and Active Corps of Executives, both government-sponsored groups of volunteers. In addition, other SBA resources will be oriented toward women, such as the Small Business Institute programs, which harness the talents of university faculty and students, and the University Business Development Centers.

While this type of assistance has been available to women all along, Pat Cloherty observes: "Our outreach to women hasn't been that great. We are having to beef it up. What we are doing is customizing the product and services."

Changes inside SBA

A key element in the new emphasis is orientation of SBA personnel. Ms. Cloherty predicts this will require additional "substantive content in the programs" and working with SBA personnel "to familiarize them with the special needs of women."

Has there been discrimination against women inside SBA in the past? Dodging the label of discrimination, Ms. Cloherty says she suspects there has been an "imbalance,"

since only 101 of SBA's 983 loan officers are women.

Efforts will be made to increase the number of female loan officers, supervisory loan officers, and managers. Plans call for more participation in the SCORE and ACE counseling programs by women executives, too.

"I have my eye on a handful of women executives," Ms. Cloherty says. "A committee of experienced women would be invaluable."

More financial aid

Another short-term goal is expanding financial assistance to women. SBA is initially targeting \$100 million quarterly for guaranteed business loans to women in the fiscal year that started Oct. 1.

"Through our lending programs," Ms. Cloherty says, "SBA will be more attentive to the needs of women seeking business loans. And an attempt will be made to stimulate greater business activity by women through the Small Business Investment Company Program."

She is quick to point out that women will not automatically get \$100 million in loans quarterly. Women will follow the same loan application procedures as men.

"That \$100 million quarterly is



In addition to her heavy duties as deputy to SBA Administrator A. Vernon Weaver (right), Pat Cloherty has personally taken charge of vastly expanding programs to increase the number of women who own businesses or are in top business jobs.

strictly an internal target for guaranteed loans," Ms. Cloherty says.

SBA has a total of \$2.9 billion authorized for business loans in fiscal '78.

Help on federal contracts

A search is under way to locate and add to government rosters the names of eligible female-owned small businesses. SBA will assist these businesses in the mechanics of securing federal contracts for goods and services.

The agency also is establishing a special representative for women in every regional and district office. In addition to working with women who want to get into business, these representatives will familiarize bankers and other lenders with the special problems of women.

"Banks have been laggard in dealing with the female population," Pat Cloherty says.

How well have women fared in business ownership?

Women comprise 51.3 percent of America's population but, according to the Census Bureau, less than five percent of the businesses in the U. S. are female-owned.

Last year 11 percent of SBA loans went to women. Such loans averaged approximately 27 percent less in dollar amounts than those that went to men. Only 12 percent of the business persons counseled through the SBA Management Assistance Program were women.

More women interested

It appears, however, that more and more women are interested in going into business. Women accounted for 27 percent of those attending SBA training sessions in calendar 1975. Indications at the start of this year were that the figure would rise to about 40 percent in calendar 1977. With the new women's aid campaign under way, that figure will undoubtedly climb even higher.

Pat Cloherty, who married New York investment banker Dan Tessler last May, was born in San Francisco. She grew up in Pollock Pines, Calif., a logging hamlet not far from Lake Tahoe, where, she says with a wide grin, "they grow 'em tough." At the age of 13, she says, she was the fastest pear-picker in all the state. Later, in her teens, she was a top competitor in a national gold-panning contest.

She attended San Francisco Col-

lege for Women on a state scholarship, graduating in 1963 with a degree in Spanish literature and classical Greek. Then it was into the Peace Corps and off to Brazil to run an agricultural extension service.

"We worked with a program to finance small farmers, offering loans and technical assistance much like SBA now does with U. S. farmers," she says.

She left the Peace Corps in 1965



She brings wit and a venture capitalist's pragmatism to the job.

to return to the U. S. and enroll at Columbia University as a Ford Foundation graduate fellow in international development. In 1968 she was awarded master's degrees in international affairs and comparative education.

Headed toy firm

Ms. Cloherty joined the venture capital firm, Alan Patricof Associates, Inc., as a researcher the next year, after taking courses in accounting and investment analysis. She soon became a partner in the firm.

In addition, she became president and chief executive officer, and later chairman, of Childcraft Education Corp. and a director of two technical products companies.

Childcraft, which markets blocks and other three-dimensional toys to schools and individual consumers, had management difficulties in 1974. The Edison, N. J., company was part of the venture capital firm's portfolio, so Ms. Cloherty stepped in as Childcraft's top manager. Today Childcraft is prospering. Thus, the new deputy SBA administrator is battle-

seasoned in the operation of a full-fledged business.

The venture capital firm dealt with a variety of businesses. The average investment was about \$1 million. Over the years the firm developed a specialization in the publishing industry, financing "New York" magazine, trade journals, and technical periodicals.

Aided few women

How many women did the firm finance?

"Some came in," Ms. Cloherty recalls, "but they were mostly in businesses that were unattractive to outside investors looking for long-term capital gains. I have nothing against businesses that are labor-intensive or are in nonproprietary areas, except that, when you are investing other people's money for capital gains, you have to consider whether there is a role for a private institutional-type investor or not."

What about investing the taxpayer's money? "The Small Business Administration doesn't invest for capital gains, but for business development purposes," Ms. Cloherty says.

Trade-offs on social goals

In the course of her experience at Alan Patricof Associates, she participated in the restructuring of a few SBA-assisted MESBIC's—minority enterprise small business investment corporations. This, she says, gave her a sensitivity "to the use of financial instruments to accomplish social goals" and to how easily a business can go under if its purpose is a social benefit.

While she champions the social goal of bringing more women into business ownership, she is also pragmatic. She has little enthusiasm for funding a new business in order to create jobs in the short term if there is a likelihood that the business will fail.

"You have to make trade-offs," she says. "What is the level of social purpose that a business structure can tolerate?"

These and other penetrating questions are standard fare for Pat Cloherty, a woman who met the challenges of the world of businessmen.

SBA's new campaign to help other women meet such challenges "is not reinventing the wheel," she says. But there is no doubt she has a better wheel in mind. □



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CONTRACTING OUT

One Way to Shrink Government Employment

Private firms frequently can make the taxpayer's dollar go farther by handling projects for the government. But there is danger now of serious cutbacks in federal contracting out

By William Kroger

ASSUME that you have recently left private business and are now a federal manager with a variety of activities under your direction, including a small security guard operation.

The guards are government employees, and two of them have quit. You can hire new guards, but since you have just come from the cost-conscious private sector, you wonder if the security operation could be handled at less expense by a private contractor. You conduct a survey.

Your study reveals that a saving would result from contracting out the security operation. You proceed in that direction. You know that the guards remaining on the federal payroll must be let go. However, the possibility is excellent that they will be offered jobs by the potential contractor.

Then you find that the guards belong to an employee union bargaining unit, and you prepare for a grievance action by union officials. You also approach the Civil Service Commission, the agency that oversees the hiring and firing of federal workers, to discuss your decision to contract out the security operation. You discover that several of the guards have attained a tenure-type status; therefore, letting them go would be a near-impossibility.

The easy way out

So you are saddled with the problem of finding other duties for the guards who would remain on the payroll. This gives the employee union additional ammunition to use against you because the guards were hired to be guards, nothing else.

Is the hassle worth it?

Many federal managers would have buried the cost analysis and hired new guards. It would be easier. The idea of saving a few dollars or helping to cut back on the growing bureaucracy, even in that small way, would be set aside.

This illustration was given by a senior official of the General Services Administration, the agency that manages federal buildings, during an interview on the subject of whether the federal government should contract out more of its functions to private business.

Each year thousands of civilian businesses bid on government supply needs, providing everything from rockets and computers to pencils and desks. Both businessmen and government officials agree that the private sector can manufacture and supply such products for less than they would cost the government if it were to make them itself.

Federal garbage collection

But in the area of services, which range from such jobs as training helicopter pilots to such seemingly simpler tasks as the security guard operation, agreement comes to a halt.

Doss Aviation, Inc., a commercial firm, conducts the primary, advanced and instrument helicopter training at the U. S. Army's Ft. Rucker, in Alabama, under a defense contract which this year totals \$5.3 million. But while the military relies on civilian enterprise for such a sophisticated job, a task which private business easily could take over remains within the federal work force. The Defense Department employs more than 1,300

garbage collectors and runs the garbage-collection service at a number of its installations at an annual cost of \$21 million.

The General Services Administration counts on private firms to construct buildings and provide its computers, but much of its facility cleaning work is done by federal employees. For example, only 45 percent of the cleaning work carried on in GSA's Region Three—which encompasses five states and the District of Columbia—is contracted out to civilian firms.

To contract out or not to contract out is an issue which is causing a controversy involving business, unions, Congress, and President Carter's administration.

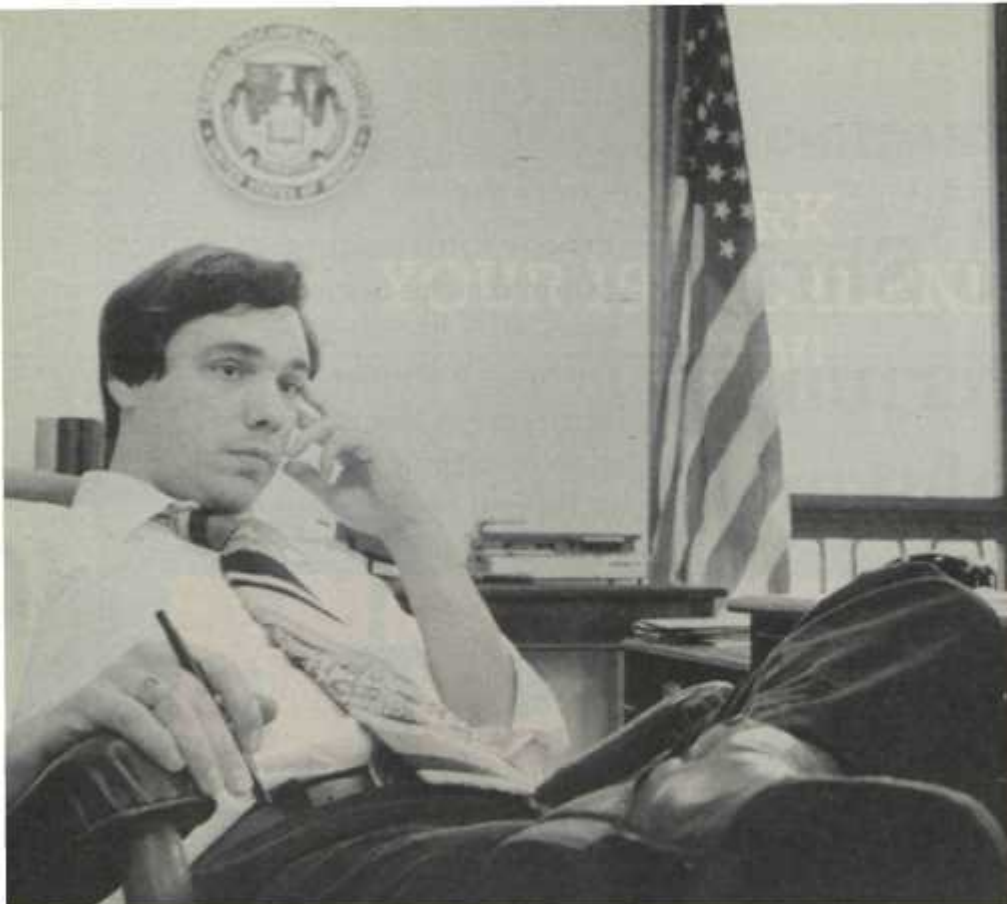
What direction should the government take?

Business people believe the government should contract out more than it does. In the process, they say, the federal payroll would be reduced, and the cost to the American taxpayer would be less. They say private firms can do federal jobs with fewer people and, through improved efficiency, at less expense generally.

Federal employee union officials, however, say only federal workers are dedicated enough to perform government jobs in the public interest. They claim private contractors merely want to make a buck and pay low wages.

Billions at stake

Much is at stake. The Commerce Department says some \$68 billion went to private companies in 1976 for government purchases of goods and ser-



Lester A. Fettig, head of the Office of Management and Budget's Office of Federal Procurement Policy, says stability should be a prime goal in formulating policy on contracting out.



Security is one area where government agencies vary on contracting out. Guards at Washington's Humphrey Building are federal workers (above). But in Nevada, at the Energy Department's nuclear facility, they are civilians.

vices. Of that total, slightly more than \$39 billion was paid for services alone.

At the heart of the issue is a government policy that dictates when federal agencies will or will not contract out.

The policy, established through the Office of Management and Budget, follows a basic concept advocated by all administrations for years: The government is to contract out its commercial and industrial activities.

However, there are five conditions under which contracting out is not supposed to occur:

1. No satisfactory source is available outside the government.
2. Another federal agency can provide the same product or service at a lesser cost.
3. Contracting out would disrupt or delay an agency's program.
4. Contracting out would jeopardize national security.
5. The agency involved in a contract can provide a product or service at less cost.

Fuzzy definition

Charles Tulip, Jr., deputy director of resources management for the National Aeronautics and Space Administration, is involved day to day with government contracts and says he has problems with the policy. "It is not too terribly well defined," he says.

Apparently, it is not.

For example, security guards are federal workers at the Central Intelligence Agency's Langley, Va., headquarters, at the Pentagon, and at the State Department. Government managers cite national security as the overriding reason and say it is easier to qualify government employees as federal officers.

Yet, one of the most security-minded operations in America, the Energy Department's nuclear testing facility in Nevada, is guarded by a civilian force. Wackenhut Services, Inc., has had the contract at the Nevada test site for nearly 13 years.

Businessmen say the government's policy on contracting out allows federal managers too much leeway in making decisions. Businessmen have special trouble with the provisions that permit managers to avoid contracting out on the ground that the government can provide a service at lesser cost. This trouble centers on the amount the government contributes toward federal employee retirement.

Sound business practice dictates that, when a firm bids for a contract, it must include every cost incurred in

providing a product or service. One of these costs is the employer's retirement-pay contribution. Businessmen and government officials agree that this cost should be included in a bid price. The cost is expressed as a percentage of a worker's pay.

Comparative costs

Which brings up the matter of how federal retirement costs compare to those of private employers—a matter crucial to the contracting-out issue. Private actuaries say federal pensions, which increase with the cost of living in contrast to most private pensions, are so generous that the amount the government contributes should be set at 42 percent or more of an employee's salary.

Government actuaries, in partial agreement, felt the contribution rate should be higher than it was and studied the matter. They decided on 32 percent, but that recommendation was sent back for further study. In October, 1976, the amount was set at 24.7 percent. Businessmen were upset.

The importance of the comparative costs is highlighted when a government agency bids for a contract along with private enterprise. For example, the Defense Department, following the

lead of the Air Force, is implementing a policy whereby defense agencies determine what a job will cost in-house, then enter the bidding process. If the government bid is lower than private bids, the government gets the job. Obviously, if the federal retirement cost level is unrealistically low, as private actuaries maintain, the outcome of a bidding process can be heavily weighted toward the government.

The Office of Management and Budget last summer dropped the retirement percentage even lower, to 14.1 percent. Bert Lance, then OMB director, told businessmen the reduction was only temporary, pending the outcome of a study.

Further compounding the issue is the fact that the retirement percentage for the Defense Department currently is different than that for other federal agencies. Congress, in passing the defense authorization bill last July, directed that defense agencies set retirement cost at the level prior to June 30, 1976. At that time it was 8.44 percent, much lower than the 14.1 percent established by OMB and therefore, according to private actuaries, even more out of line with the real cost.

But Congress went one step further. The defense appropriations bill passed

in September stipulated that no contracts in certain areas would be let if they threatened civil service jobs. This action put a near-moratorium on the Defense Department's contracting-out ability and, according to some defense officials, has hurt the department.

John P. White, Assistant Secretary of Defense, told a congressional committee the bill would "restrict our ability to achieve more efficient operation of the department and thereby increase our costs."

Behind closed doors

Businessmen and others are concerned about these recent actions, which they say indicate a trend within government and Congress to contract out less.

Randal C. Teague, administrative assistant to Rep. Jack F. Kemp (R-N.Y.), says a conscious attempt to limit private enterprise in its dealings with the federal government "is going on behind closed doors in Washington right now." Mr. Teague was a panel member at an October symposium on the contracting-out issue sponsored by the Chamber of Commerce of the United States. He said a major shift in Congress toward less contracting out had occurred during the previous six months and cited

HOW THE PENTAGON—AND THE TAXPAYERS— COULD SAVE \$1 BILLION

Nearly \$1 billion a year could be saved if the Defense Department abolished 250,000 of its civil service jobs and contracted out that work to private firms, according to a recent Rand Corp. study.

"One of the benefits of using contract hires is that civilian contractors can take advantage of local labor conditions," the Rand Corp.'s report said. "For instance, in areas where the cost of living and the prevailing wage rates are less than the national average, civilian contractors may be able to offer services for substantially less than it would cost to employ federally compensated civilian personnel."

The defense area already offers a striking example of benefits realizable from contracting out. In Alaska, 13 air traffic control and warning sites are operated by a civilian firm, at a saving of \$100 million a year.

Perhaps the most striking example of benefits from contracting out rests

with the National Aeronautics and Space Administration, an agency formed as a partnership of government, the industrial sector, and the scientific and educational communities. A contracting-out tradition was established early in NASA's history. Last year 75 percent of the agency's budget went for private contracting work.

Dr. Richard L. Leshner, president of the Chamber of Commerce of the United States and a top NASA official during the agency's peak years in the mid and late 1960's, notes that the vast bulk of the work on America's space program was carried out by private employees in corporations, research institutions, and universities.

"Of the 450,000 workers once involved in the effort, no more than 35,000 were civil service employees," he says.

"There can be no quarreling with the dramatic success achieved by the agency in meeting its goals on sched-

ule. Further, NASA is one of the few examples in modern history of a big federal agency that has shrunk substantially after its major objective was accomplished."

A definite benefit of contracting out, which is cited even by federal officials, involves the flexibility it allows government managers in carrying out programs.

Daniel P. Murphy, chief of the Labor Department's Division of Procurement, says that if a new administrator comes to an agency and wants to change a program, it is a fairly simple process when the program has been contracted out. With civil service performing a task, altering a program "is very difficult," he adds.

Another government official, John F. Galuardi, Region Three administrator for the General Services Administration, says: "When you come down to the bottom line, it is cheaper to have private enterprise do a job."

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as a reason a lack of knowledge on the issue by representatives and their staffs.

Another panel member, Daniel R. Bannister, a senior vice president of Dynalectron Corp., of McLean, Va., which last year had about \$60 million in government contracts, said: "I don't think there are many members [of Congress] who would argue against the policy of the government relying on private business, but I don't think most are aware of how much the government competes with business."

More U. S. workers

Both Mr. Teague and Mr. Bannister said Congress, while professing a desire to limit the growth of government, actually has taken actions that would tend to increase the number of federal workers.

One example involves the Service Contract Act, passed in 1965. The act, administered by the Labor Department, mandates base wages that will be paid contract workers when a contract changes hands.

The act initially was designed to protect workers in lower wage categories, but it since has been amended to include white-collar workers, and a bill presently before Congress would amend it even further to include professional and technical employees.

Businessmen say the act, in allowing the government to regulate wages, reduces competition by hampering private firms in bidding for government contracts. Federal employee union officials, on the other hand, say the act is necessary to keep salaries of contract workers above the poverty level.

Two studies

Possibly shedding some light on the entire issue of how much the government should contract out will be the results of a congressionally ordered study by the General Accounting Office, which is scheduled for completion next spring.

The Office of Management and Budget also has been studying the issue.

At the center of the OMB effort is Lester A. Fettig, new administrator of OMB's Office of Federal Procurement Policy.

The primary concern in the area of contracting out should be building more stability into the system, Mr. Fettig says, adding that the principle of relying on the private sector is valid.

On Nov. 21 his office unveiled a planned new contracting-out policy. Mr. Fettig said public comment would

be invited for 60 days, with implementation of the policy set for early next year.

Under the new policy:

1. Employees who lose government jobs because of contracting out would have first chance at newly created contract jobs.

2. An appeals procedure would be established for employee unions and potential contractors protesting agency decisions to keep work in-house or contract it out.

3. Federal retirement computation would be set at 20.4 percent of payroll, up from the temporary 14.1 percent, but below that recommended by private actuaries. The figure would be reviewed every five years. Mr. Fettig admits there will be controversy on this point.

4. Government agencies would be exempted from contracting out a function if it falls into these areas: policy-making, law enforcement, direction of national defense, collection and disbursement of funds, administration of public laws, and handling of public inquiries and complaints.

5. Some 21,000 separate government functions have been identified for potential contracting out. Mr. Fettig says if a function does not fall within the exemption rule, the agency involved would have to request bids from private firms while computing the cost of doing the job in-house. The agency would list its costs in two categories: personnel expenses and other expenses. In order for a function to be contracted out, a private firm would have to beat the government's total cost by ten percent of the personnel expenses.

However, if the service operation is new, it would have to be contracted out unless government costs are lower than commercial costs by an amount equal to ten percent of personnel expenses and 25 percent of other expenses.

Up to the President

President Carter, who has given the go-ahead for public comment, will make the final decision on the new policy.

Those who favor government contracting out are worried about what they say is the recent trend to keep work within the federal establishment, and they are concerned that the new policy does not go far enough in the other direction.

Meanwhile, decisions on contracting out are made every day within government, some to let out jobs for bidding, others to keep work in-house. □

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THE WORLD OF INDUSTRY

Aluminum Outlook Brighter

The aluminum industry confidently expects its shipments this year to show a solid increase of seven percent or more over 1976.

According to W. H. Krome George, chairman and chief executive officer of the Aluminum Co. of America, industry shipments were 7.3 percent ahead in the first three quarters of 1977.

"The industry is finally reaching a level of profitability that will permit us to be healthy," he told the Aluminum Association's annual meeting in Washington.

The resurgence of aluminum, he contends, is due to investment in research and development that has led to new products, alloys, and manufacturing techniques.

"This concern for research and development has been the cornerstone of our growth," Mr. George says.

He cites as an example of market penetration the increases in shipments of aluminum to the container and packaging industries. In 1966 the shipments totaled 740 million pounds. They totaled more than 2.5 billion last year. Shipments to the construction market were up almost a billion pounds during the same period.

Aluminum executives note that while shipments have increased to all major markets, the great increases have come in construction, packaging, and transportation.

"Recycling will become more important to us as an industry," Mr. George says. "We have already proven that aluminum is one of the most recyclable of all basic materials because of its dollar value as scrap. The real value, however, is in the dramatic reductions in energy and capital costs of recycled aluminum, as compared to primary metal." •

Europe to Outstrip Us in Telephones

Still another indication of the rising standard of living in Europe is the prediction that the area will have

more telephones than North America by 1986.

Theodore F. Brophy, chairman and chief executive officer of General Telephone & Electronics Corp., estimates also that the number of telephones in the world will nearly double in the next decade.

Today the annual new investment in telephones around the world is \$30 billion. Mr. Brophy predicts this will double by 1986. In the United States the number of telephones is expected to increase 60 percent while in the rest of the world it is predicted to increase 115 percent.

The total number of telephones throughout the world, now about 380 million, will climb to 736 million. The U. S., which now has 149 million telephones, will have 234 million ten years from now.

Europeans, who now use 132 million telephones, are expected to be communicating over 282 million in 1986. Japan's totals are predicted to rise from 46 million to 103 million; Canada's, from 13 million to 24 million; Latin America's, from 14 million to 33 million; and the rest of the world's, from 26 million to 60 million. •

Foreign Affiliates to Boost Spending

Majority-owned foreign affiliates of U. S. firms are planning to increase capital expenditures 12 percent in 1978 to \$32.8 billion, according to the Commerce Department.

Although this is the same percentage increase expected to be posted for this year, due to inflation the 1978 investments will buy a somewhat smaller addition to production capacity.

Manufacturing affiliates are planning to spend \$13.6 billion; petroleum, \$11.5 billion; trade, \$2.4 billion; mining and smelting, \$1.3 billion; and other affiliates, \$3.9 billion.

The largest dollar investments are scheduled for Europe—they are to to-

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21-30	27	30.42- 43.94
31-40	29	33.02- 49.05
41-50	31	35.55- 54.15
51-60	33	37.97- 59.40
61-70	35	39.37- 64.68

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tal \$14.4 billion. British affiliates are to get \$5.9 billion; West German, \$2.3 billion; and French, \$1.8 billion. The investment in Canada is predicted to be \$6.8 billion. •

Liquid-Hydrogen-Fueled Airliners Envisioned

Future airliners, flying at the blinding speed of 4,000 miles an hour, may very well have two sets of engines and use hydrogen for fuel.

Lockheed-California Co. now has a \$270,000 contract from the National Aeronautics and Space Administration to study the concept of a liquid-hydrogen-fueled airliner capable of carrying 200 passengers for 5,750 miles at six times the speed of sound.

The firm will study the problem of power plants for such a futuristic vehicle—specifically, a configuration that would use both conventional turbojet engines and ramjets, which rely on the aircraft's speed, rather than turbines or compressors, to compress the air.

Five turbojets would be used to bring the airliner up to the speed of sound, at which time five ramjet engines would start operating.

All ten engines would be used until a speed of 3.5 times the speed of sound is reached. Then the turbojets, by this time becoming inefficient, would be shut down and the ramjets used exclusively to reach and maintain a speed of six times the speed of sound. By then the airliner would be flying at an altitude of between 110,000 and 120,000 feet, which is approximately four times as high as conventional airliners now usually fly in whisking passengers around the nation and world.

Passengers on the Los Angeles-Tokyo run could count on spending two hours and 18 minutes in flight. Such an airliner would make the New York-London hop in one hour and 56 minutes. Much of the travel would be at slower speeds because of noise regulations. At a speed of 4,000 miles per hour, the New York-London run would take less than an hour. •

Air Is Employed to Insulate Wire

Western Electric is using a very inexpensive raw material—air—as a replacement for plastic now used to insulate wire.

The Bell System's manufacturing and supply organization claims a new technique will save more than 50 mil-

continued on page 66C

BUSINESSMEN'S
DIALOGUE
WITH
Argentina



SPECIAL ADVERTISING SECTION

BUSINESSMEN'S DIALOGUE WITH Argentina



Introduction

Prior to March of 1975, the Argentine economy faced three interrelated problems: impending hyper-inflation, a severe national recession, and external payment obligations leading to default. Simultaneously, the Nation's political and social structures suffered a "dirty war" motivated by urban guerrillas who acted against the private enterprise system. Consequently, the Argentine Armed Forces were obliged to assume power to correct these economic, political and social distortions which were destroying the national fabric.

Today, 20 months later, Argentina's rapid recovery justifies this publication of a "BUSINESSMEN'S DIALOGUE WITH ARGENTINA." The "DIALOGUE" is composed of 40 pragmatic questions from United States businessmen with answers provided by Argentine authorities.

Also note the autonomous economic messages written by 32 private leaders of the Argentine economy. To paraphrase one private businessman "... Argentina is the best location in today's world for private investments, production facilities and United States exports."

Let us review the evidence and testimonials which support such a positive statement.



Alexander Perry, Jr.
President
**THE AMERICAN
CHAMBER OF
COMMERCE
IN ARGENTINA**

Impressive Investment Possibilities

Argentina's investment possibilities are impressive thanks to the enormous wealth of its fertile lands, in an area equal to one third of the United States, a high educational level and arable lands which rank Argentina fifth in the world. The country, practically self-sufficient in oil and gas, will be fully so shortly.

Under President Lt. General Jorge R. Videla, the country has been given positive leadership and stability. The economy, under Minister Martinez de Hoz, is free-market-oriented and has recovered rapidly from economic and financial chaos by able administration with coherent policies and a welcome to foreign investment.

Possibilities include industrial development, cattle raising, farming, forestry, mining, fishing, tourism, etc. which make today's Argentina one of the brighter investment areas in the world.



Luis U. Jáuregui
President
**ARMCO ARGENTINA
S. A.**

Armco Ratifies Its Faith in Argentina's Future

Armco manufactures and markets in Argentina a varied range of coated steel products, structural tubing, and electrodes, as well as construction and drainage products such as guard rail, tunnel liner and corrugated galvanized steel structures, while always meeting the requirements of the Argentine market where it enjoys a solid prestige.

The present moment is characterized by a reassessment of the dynamic role played by private enterprise in the nation's economy, the straightening up of public finances, and the creation of appropriate conditions that guarantee foreign investment.

Under these auspicious circumstances, Armco Argentina joins in the common effort with renewed hope to achieve further growth and development along with the country.

Investments

1. After March 1976 the government indicated that it would rely on the free enterprise system to be the mainstay of the recovery of the country. Will this favorable attitude towards free enterprise continue to be the government's philosophy for the foreseeable future?

The statements made by government authorities after March 1976 remain fully applicable. The Minister of Economy has constantly stated that the private sector must be the main driving force of the Argentine development.

Coherent with this policy, and as an example of the National Government attitude, it has provided that the companies which due to diverse reasons became incorporated in the public sector during previous administrations, shall be transferred back to private hands or else liquidated. In this respect, Article 21 of the Budget Law provides that the Executive Power shall order, within a limited term, the liquidation, sale or termination of the Government's administration of these companies.

2. Are foreign investors really welcome in today's Argentina?

The enacted legal system governing foreign investment has the basic object of offering equitable and clear legal

rules and guidelines, so that the foreign investors may act within the framework of the Argentine economy as an effective complement to domestic investment.

It is expected that foreign capital will contribute to accelerate the growth rate of the Argentine economy. It is therefore clear that within the legal system foreign investment is really welcome in today's Argentina.

3. What are the major advantages of Argentina's new Foreign Investment Law?

The most important advantages of the Foreign Investment Law are:

- Foreign investors have the same rights and obligations that the Constitution and laws grant to national investors subject to the provision of Law No. 21.382.
- Registered foreign investors have the right to transfer the full amount of their profits and to repatriate their investment, even during periods of exchange controls. The full text of the Law in English is available upon request, at the Ministry of Economy, Under Secretariat of Foreign Investment and embassies.
- Foreign investors may channel their investment into any sector of the economy. In certain sectors which are considered strategic, or when the investment exceeds certain amounts, prior Government approval is required. Otherwise the foreign investor may invest freely, without any kind of prior approval; however, if he wishes to avail himself of the guarantee to remit profits or to repatriate capital, the approval of the



Under Secretary of Foreign Investment is required. The acquisition of existing enterprises is generally discouraged; however, it is not prohibited but requires prior Government approval. Finally, if the foreign investor wishes to avail himself of promotional benefits—which are in general granted restrictively—Government approval is necessary both for domestic and foreign investors.

- Investments of foreign capital do not require prior approval in the following cases: 1) Reinvestment of profits derived from investments of



Ernesto W.E. Schippert
Vice President and
General Manager
ARMETAL-INDUSTRIA
ARGENTINA
DE METALES S.A.

"Renewed Faith in a Great Country . . ."

In 1962, ARMETAL-INDUSTRIA ARGENTINA DE METALES S.A. started its operations as an auto parts manufacturer supplying the then Argentine automotive industry.

A subsidiary of THE BUDD COMPANY of Troy, Michigan, ARMETAL S.A. over the years kept expanding its facilities so as to keep its position as the leading supplier of its products—hubs, drums, rotors, truck and pick-up chassis side rails and cross members—to the Argentine automotive industry.

Today, with renewed faith in a great country and its blossoming economy, ARMETAL S.A. is once more showing its trust in Argentina's promising future with new ambitious expansion programs which are currently underway.



Ricardo Grunelsen
President
"ASTRA" COMPAÑIA
ARGENTINA
DE PETROLEO S.A.

Oil Developments: "Immense Possibilities"

In the production of food and oil—two main problems of the world—Argentina has immense possibilities.

Concerning oil, Argentina is also one of the very few countries that, while having an important home market, is practically self-sufficient. Our annual consumption of oil "per capita" is 1.2 cubic meters which is by far the highest in Latin America.

In order to increase our future production in the national territory, we shall need the collaboration of private enterprise. Our local supply industries have developed themselves strongly in the last years, but we still need an adequate complementation. Off shore—in the extreme South—may be of great importance and offers excellent perspectives for international capital associations. Large investments and the most modern technology will be required.

BUSINESSMEN'S DIALOGUE WITH **Argentina**

Investments (cont'd)



foreign capital registered in compliance with the law in domestic enterprises which generated them; and 2) New investments in freely convertible foreign currency, provided that they do not exceed, yearly, an amount equal to 10% of the registered foreign capital of the enterprise receiving the investments.

- e) The transactions carried out between a domestic enterprise of foreign

capital and the enterprise which directly or indirectly controls it or any subsidiary thereof, are considered by the law, for all purposes, as transactions between independent parties when the conditions of such transactions are in accordance with normal business practice between independent entities.

- f) Foreign investors and domestic enterprises of foreign capital are eligible for promotional benefits.

4. What are the legal differences between domestic and foreign investments?

There are no differences. This is one of the essential principles of the statutes in force, stated by Article I of Law No. 21.382 when it provides that foreign investors investing capital in any admissible way shall have the same rights and obligations that the Argentine Constitution and statutes grant to local investors. This general principle admits some exceptions in certain specific activities.

5. Does Argentina's new foreign investment law permit unfair competition by national interests or related Government interference?

The Argentine legislation does not establish unfair competition by national investors nor Government interference which discriminates between national and foreign investors.

6. In other countries foreign firms are often discriminated against when dealing with government agencies or when bidding on government contracts. What is Argentina's position in this respect?

It is the policy of the Argentine Government not to discriminate among local firms in public biddings, whether the firms are nationally or foreign owned. In all cases the best offers complying with the rules of the bidding are selected.

The same policy is adopted in the case of international bidding, where certain preference established in favor of local companies (both foreign or national) exists vis-a-vis bidders not established in Argentina.

7. Are the forthcoming regulations regarding royalties, transfer of technology, mining, remittance of dividends, conducive to foreign investments?

The new transfer of technology statute follows the same principles which have inspired the foreign investment statute.

The transfer of technology statute admits the remittance of royalties accrued under registered agreements, including those between a foreign firm and its local subsidiary. These rules are clearly adjusted to the needs of private enterprise, and are therefore conducive



Ing. Carlos H. Herren
Director General
ATANOR-NATIONAL
COMPANY OF THE
CHEMICAL INDUSTRY
S. A.

"Extraordinary Future . . . For Everyone"

Argentina is a young, extensive country which includes most climates and a natural wealth.

The Nation is trying to achieve its proper destiny by strengthening the mingling of the natives and the descendants of Latin foreigners and Saxons who came to Argentina at the end of last century.

Argentina has progressed visibly but not without growing pains.

ATANOR, an Argentine industry, contributes to the country's development by producing petrochemical products, chemicals and agrichemicals which are marketed nationally as well as abroad.

This enterprise, approximately 40-years old, conducts its business respectful of the training of specialized employees in all tasks; ethical and moral business principles, and with the security that an extraordinary future exists for everyone.



Hernán L. Ayerza
President
BANCO DE GALICIA
Y BUENOS AIRES

". . . in the Right Direction"

When the Government of the Armed Forces took over in March of 1976, the country was undergoing a deep institutional and economic crisis.

The new Government's economic plan is developing satisfactorily, and the country seems on the way, as the principal economic indicators show.

Investment is a prevailing feature of economic growth, and, therefore, increased internal saving is one of the main targets of said plan.

The new Financial Entities Statute will play an outstanding role in this connection.

Indeed, the economic recovery of Argentina will need time, but we believe we are now running in the right direction.



to new foreign investments and technology imports.

With regard to transfer of dividends and remittance of profits generally, the Foreign Investment Law has guaranteed such remittances at all times, even during periods of exchange control, provided the formalities established in the law have been complied with.

Additionally, it should be noted that Argentina has practically eliminated its exchange controls, and that the trend is towards even further liberalization.

A new mining law is under consideration which falls within the spirit of the preceding comments and foreign investment is expected to participate in this area.

8. In which fields does Argentina want to attract foreign investment and which are presently off-limits or not desired?

Law 21.382 permits foreign investment in all, repeat *all*, economic sectors.

For the evaluation of investment proposals the implementing authority of the law will consider as positive contributions to national economic development any investment which:

- Affects favorably the foreign currency balance.
- Increases exports, develops new external markets or expands existing ones.
- Expands or creates new financial links or distribution channels with, or in, foreign countries.
- Reduces imports, at adequate cost.
- Incorporates new technologies.
- Generates regional economic growth and permits the absorption of the resulting manpower.
- Permits the preponderant use of technicians and professionals residing in the country.
- Develops sectors in which the internal market is not adequately supplied.
- Contributes to the better employment of the human, natural or material resources of the country.

9. In what areas of the Argentine economy do specific foreign investment opportunities exist?



Jose Rafael Trozzo
President
BANCO DE INTERCAMBIO REGIONAL

Promising Future in Bilateral Relations

It is obvious that the financial-economic relations with the United States have particular importance to our country. These relations could increase to a large sum of mutual benefits to both countries.

Argentina today—with the traditional principles of the free market system secured—has many human resources, immense natural resources and an acceptable industrial development, which means the Nation is capable of becoming, in a short while, once again one of the principal countries of the world, as it was during the first decades of this century.

With profound belief in these real possibilities and faith in Argentina's destiny in the dynamic modern world, with increasing collaboration between towns and interdependence among nations, we predict a promising future in bilateral relations.



Mario Baratella
Chairman and
Chief Executive Officer
BANCO DE ITALIA Y RIO DE LA PLATA S. A.

Invest in Argentina

Today, Argentina is considered to be the best prospect in the world for investments, in the light of its continuing economic improvement and the guaranty given to foreign investors by the law recently approved.

Banco de Italia, the oldest Argentine private bank, in business since 1872, is in an ideal position to provide potential customers with prompt and adequate service through its 68 branches in Argentina, as well as through a network of foreign correspondents all over the world.

The new Economic Program, applied over the last year and a half since the new Government took over in Argentina, has brought about changes which are substantial compared to the system prevailing in our country over the last 30 years, with the exception of a few interim periods.

The Problem

The pre-existing situation can be defined very briefly as an overextension of the State's functions which unduly burdened the country with the social cost and at the same time, stifled the possibility of an agile and efficient development of private enterprise to promote the growth of the economy.

The consequences were, on the one hand, excessive Government expenditures which resulted in extremely large deficits in the State's budget, one of the main causes of the acute inflationary process, and on the other, the development of the economy that was not able to be sustained.

A process of decapitalization followed with the gradual deterioration of the productive apparatus in all sectors of the economy. In addition the well-known wage-price spiral acted as a parallel force with its effects on inflation.

All these factors reached a peak during the 1973-75 period, bringing about an economic crisis such as had never before been experienced in Argentina.

In March 1976, the wholesale price index increased by a record monthly rate of 54%; gross fixed investments decreased by 21% in the last quarter of 1975 and gross domestic product fell by over 6% in the same period.

By the end of March 1976, an external payments crisis was added, which would have ended in a practically total suspension of imports and consequent paralyzation of industrial activity and massive unemployment with subsequent economic, social and political chaos and disruption of the basic institutions of the country.

Finally, the Nation's Armed Forces were obliged to step in and take over the responsibility of assuming the government of the country to overcome the existing crisis.

To that effect, an Economic Program for the recovery, reorganization and expansion of the Argentine economy was approved and announced on April 2, 1976.

The New Economic Program

The main characteristics of the new Program are that it is adapted to the conditions of the modern world. Adjustment to economic reality is one of its master guidelines.

It is pragmatic and flexible, in opposition to rigid dogmatic formulas. It adopts

Why Argentina?

Analysis of the Recovery

by Dr. José Alfredo Martínez de Hoz
Minister of Economy



the necessary measures with firmness and determination, with no concessions to demagoguery, but proceeds with an active gradualism. It redefines the State's role in the modern economy, with the reduction of State intervention and the recognition of *private enterprise as the driving force of the economy*, although the State maintains the power of establishing general guidelines and policy-making in the main economic and financial fields. It reinstates the conditions for the existence of what we have called an "Economy of Production," with the objective of attaining a balanced and harmonious growth of the different economic and social sectors, under a global and comprehensive program.

In the implementation of this Program, various key areas were immediately attacked.

Fiscal Policy

In the first place, the reduction of the deficit of the National Budget was one of the basic objectives; the peak 13.5% of gross domestic product which the budget deficit represented in the first quarter of 1976 was gradually reduced, expecting to achieve a balanced National Budget for 1978. In order to reach this objective the tax system was subjected to various reforms in order to reconstruct it as a means of collecting revenue; and the reduction of the fiscal expenditure is being carried out in various fronts, in a process of gradual readjustments, such as the rationalization of the Public Administration; the transfer back to the private sector of all the enterprises which had been intervened or administered by the State due to economic or financial problems in order to maintain employment; the sale of State-owned

properties not necessary for public purposes; the transfer to the private sector of all investments and activities that can be performed more efficiently by it, sparing scarce public funds; and the limitation of the public investment works program to the level permitted by non-inflationary financing.

Income Policy

The income policy planned and implemented during 1976 was also an important part in the fight against inflation. The price control system was completely eliminated in April 1976. The decision adopted was to allow prices to again act as an incentive for investment and the production of goods and that competition of the market should become an effective control to avoid unjustified price increases.

Wage Policy

As to the other aspect of the income policy, that is the wage policy, during an inflationary period it is obvious that the ideal conditions which normally justify a free bargaining process between labor and management in order to settle wage levels cannot exist. In the immediate past it was widely misused and it was incapable of maintaining the purchasing power of wages in spite of tremendously high salary increases, due to the enormous inflationary rate. Between March 1975 and March 1976, the purchasing power of salaries decreased by over 1/3. It was therefore necessary that a tight wage policy should be established as the alternative was massive unemployment. After a year of this tight wage policy, a gradually more flexible policy related to increased production and greater labor productivity is being established, which is having positive results both in relation to higher global production and to the maintenance of the purchasing power of salaries.

The cooperation of industry assured the existing level of employment, and the rate of unemployment (which in April 1976 was 4.8%) has decreased to 3.3% to date.

Financial Reforms

It was absolutely necessary that the Program should include the designing of a new regime for the financial sector, which provided that, notwithstanding the still high rate of inflation, the economic units should optimize their operations according to rules and incentives similar to those prevailing under price stability. For the first time in many years, a policy of positive interest rates in real terms was applied.

This new policy has brought into effect a redistribution of available credit resources and eliminated many existing speculative operations thus channelling fi-

(continued on pg. 62)

BUSINESSMEN'S DIALOGUE WITH **Argentina**

Investments (cont'd)

15. Will the new labor laws and regulations favor industrial efficiency?

The labor laws and regulations existing before March, 1976, were partially amended later that year. These amendments have resulted in a noticeable increase in industrial efficiency, due to lower rates of absenteeism, less hours lost due to strikes and other industrial conflicts, a higher degree of labor discipline and the possibility of transferring relatively unproductive labor from the public sector towards private firms.

It is the intention of the Government to continue to improve liberalization, eliminating regulations still in force which can have adverse effects in productivity without disregarding social justice.

16. Is an unemployment compensation program planned, so that industry will hire when expansion is desirable and release unneeded manpower at a later date?

No unemployment compensation program is presently planned. The reduction of unemployment has been achieved as a result of the increase of economic activity. It is not foreseeable that an unemployment compensation program will be necessary.

Argentina is an underpopulated country with a small population growth rate. In fact, immigration schemes are presently being contemplated.

17. The present level of communications is a deterrent to setting up business in Argentina. How soon can a reasonably adequate level of service be expected?

A five year communications plan is being undertaken with a total cost of u\$s 1 billion. Its main features are:

- a) Urban system: installation of 860,000 new telephone lines by



- 1981 and up to 2,000,000 lines in the next 10 years.
- b) Telex: to increase from 3,000 to 8,500 in 1978 and reach in 5 years a total of 11,000 with 4 main mode centrals and 49 secondary.
- c) Interurban system: improvements in the radio link system.
- d) International: to increase telex channels from 400 to 1,200 and telephone channels from 350 to 1,100.

18. What restrictions exist concerning imported technicians and management talent or are such professionals available in today's Argentina?

Argentina has sufficient numbers of skilled professionals and technicians in various sectors. Nevertheless, there is no restriction for foreign technicians or management talent to work in our country. □



Oscar A. Rebecchi
Vice President and
General Manager
BANK OF AMERICA
NT & SA

"A Dynamic Financial System in Force"

The financial system of Argentina has undergone a thorough reorganization. In June, bank deposits were decentralized and a new financial law became effective.

Setting aside previous restrictive discrimination against foreign banks, the new law places all banking institutions on an equal, competitive basis. When the country gradually lost the privileged position it enjoyed in the world in the early part of this century, the banking system also lost importance. Now there appears to be a dynamic financial system in force that not only presents a challenge for creativity, but also permits an efficient response for the social and economic development of the country.

First results are reflected in having overcome the former strangulation on the balance of payments and an increase in the gross national product.



Carlos Alberto Bulgheroni
Vice President
BRIDAS S. A. P. I. C.

"The Argentina Challenge"

Argentina with its territory, its variety of regions, its climate, and its resources, is one of those places in our small world in which there are still many things that man's hand can develop.

As an oil businessman, I consider that this country may surprise many world observers in the future, and become a very important world source in this field.

As an Argentine citizen, I encourage foreign investors to join us in facing this challenge, bearing in mind that the efforts of today will help to build a better and more peaceful world for tomorrow.

19. Argentina's trade balance reversed itself remarkably after March 1976. Is it expected to remain favorable for the next several years?

It is estimated that in the next years Argentina's trade balance will remain positive, although it is difficult to determine its amount with accuracy.

Furthermore, Argentina's balance of payments structure shows that, under normal conditions, the trade balance compensates the net outflow of payments for services and eventually, the capital movements.

20. What is Argentina's foreign trade policy?

Argentina's foreign trade policy aims at maintaining commercial relations with all countries, trying of course to balance trade with the different areas and countries.

It is an open policy as it does not restrict imports and at the same time tries to make local products available to all possible markets.

In addition, it should be noted that while Argentina is making efforts towards the maintenance of a fluid international trade, protectionist tendencies are appearing in other countries.

21. To permit Argentine end-product producers to compete internationally and with end-product imports, will the government allow their free import of necessary raw materials and components?

Argentina allows imports of raw materials and components for end-products.

There are tariff protections, but their incidence on local costs is permanently considered, so as to adjust them when particular circumstances make it advisable.

22. What non-traditional exports can compete in the North American market?

The participation in non-traditional exports to the U. S. has increased noticeably in recent years.

It is thus that sales of farm products to this destination have grown from 24% in 1969 to 42% in 1976 and those of industrial origin from 18% to 29% in the same amount of time.

Among the numerous Argentine non traditional products which today compete in the North American market, several stand out for their substantial export value, namely: filleted fish; meat preparations; fruit juices; hydrocarbons; glands to be used in organotherapy; skin and leather products; iron and steel bars; refrigerator parts; calculators and parts; plumbing equipment, and automobile parts.

23. Are there special incentives for non-traditional export industries?



Jorge Malcolm Watson
Director General
CHRYSLER FEVRE
ARGENTINA S. A. I. C.

"Confident Of Future in Argentina"

Chrysler has been present as a manufacturer in Argentina since 1959, and is now undergoing a major expansion program with the active participation of dealers, vendors and company personnel as shareholders.

Facilities include two complexes containing one of the biggest die shops in the country, two assembly lines, two stamping plants, transmission and engine plants, employing 4,500 workers.

Manufactured vehicles include: small and compact cars, utility pick-ups and medium trucks, with a 95 percent local content.

Chrysler holds the highest penetration in public service vehicles, plus 35 percent of the medium-duty truck market. The Dodge 1500 car enjoys widespread popularity in Argentina and is one of the leaders in exports to nine different countries.

With this successful background, we are obviously confident of our future in Argentina where our people, our engineering and our enthusiasm are bound to spell further successes.



G. N. Fugelsang
Senior Vice President
CITIBANK, N. A.

"Citibank's First Overseas Office"

Argentina's success to date in managing a challenging economic adjustment process is indeed noteworthy. A pragmatic, realistic program is under way, based upon fiscal discipline in the public sector, a strong private sector as the driving force in the economy, and a continuity of long-term economic growth and a balance of payment prosperity.

Citibank opened its first overseas office in Buenos Aires in 1914, and has been privileged since that time to contribute not only as a full service bank with 17 branches in the local market, but also as a participant in foreign currency credits to finance major projects of national and international significance.

BUSINESSMEN'S DIALOGUE WITH **Argentina**

Exports (cont'd)

The special incentives for non-traditional export industries are the following:

- a) Tax reimbursement: partial reimbursement of those taxes on the product in its different states of production and commercialization.
- b) Export prefinancing: loans are granted as percentage of F.O.B. value, at a differential rate, to facilitate the production of goods to be exported.
- c) Export financing: they are granted so as to adapt Argentine offers to actual conditions in international markets.

24. What U.S. quota restrictions apply to Argentina's exports?

There are U.S. quota restrictions for the following Argentine exports:

- Special steels and alloys.
- Cheese.
- Powdered milk.
- Quebracho extract.

Regarding restrictions, since 1939 U.S. regulations prohibit imports of fresh and chilled meat, from countries affected by hoof and mouth disease.

A conclusion of an investigation on compensatory duties on exports of footwear is still pending.

25. What financial facilities serve Argentine exporters?

It has been answered in 23.

26. List the advantages for manufacturers using Argentina as an "export base."

Argentina is a country of long export tradition. In addition, it has specially expanded lately its exports of manufactured goods, which have increased from 25% of total exports 10 years ago to 50% of them.



In that respect, its labor force is highly qualified and experienced, which is a most important factor to be considered in any industrial project.

27. How many U.S. companies are exporting from Argentina?

The number of U.S. companies exporting from Argentina cannot be ascertained, but it can be affirmed that it is very high.

They mainly operate in the industrial and service sectors and, as it was mentioned, manufactured goods exports have expanded very considerably in the last years.

28. Number of weekly commercial flights to and from Argentina to Miami and rates per pound.

At present there are 24 regular flights from Argentina to Miami and 22 return regular flights—passengers and freight—plus two frequencies of non-regular for freight. Rates are u\$s .98 per pound for the north-south course and u\$s .85 per pound for the return.

29. Do Free Trade Zones exist in today's Argentina or are they under consideration?

They do not exist at present.

(continued on pg. 58)

Argentina: A Bright Future

Argentina meets all requirements necessary to become again, in the near future, the privileged country it was 40 years ago.

Richly endowed with enormous foodstuffs and other natural resources, with a diversified industrial apparatus and highly skilled labor forces, these solid pillars are the basis for a very promising future.

Our company is the leader in the telecommunications area, with 58 years in the country and a vast experience in the manufacturing and installation of advanced telephone and broadcasting equipment. We are actively participating in an ambitious program in our sector and to this effect the company is contributing with the introduction of the most modern existing technologies.



Ricardo J. Gabrielloni
President and General
Manager
**COMPAÑIA STANDARD
ELECTRIC
ARGENTINA S. A. I. C.**



Carlos Raul Monsegur
President and General
Manager
DUCILO S. A.

DuPont: 40 Years in Argentina

This year, 1977, DuPont celebrates 40 years of industrial activity in Argentina.

Since 1937 with the start-up of the first rayon plant in this country, DuPont's majority owned subsidiary, Ducilo S. A., has ventured successfully into the manufacture and sale of many different products.

As a fitting way to celebrate this anniversary, Ducilo has recently completed construction of a new facility for the production of Lycra® spandex yarn with an investment of more than 12 million dollars in plant and equipment.

With annual sales of about 100 million dollars and a total employment of 3,500, this subsidiary provides ample evidence of the opportunities available to an investor in Argentina.



Ford Motor Argentina S.A.
Automotive, foundry & axle plants.

Visitors' View of Argentina

Last year over 1.5 million visitors poured into Buenos Aires, capital city of Argentina. This year the figure is expected to go even higher.

Today a visitor standing on the corner of Calle Florida and Avenida Corrientes—the "Piccadilly Circus" of Buenos Aires—can hear English, French, German, Japanese, Portuguese, Italian and almost every dialect of Spanish.

Why does this city, such a long distance from its European and North American counterparts attract so many visitors?

Buenos Aires is a bargain hunter's paradise. Luxury accommodations in the heart of the city run around \$50 a day double occupancy. Dozens of other top hotels in the same area offer rooms at \$10 to \$20

per day double occupancy.

But the biggest bargain of all turns out to be Buenos Aires itself. This is a city of more than eight million inhabitants. It covers 78 square miles and its architectural styles range from the skyscrapers of the commercial district to the colonial buildings of the San Telmo district.

Argentina is a big country. Geographically it varies from the tropical jungle lands of the North to the icy Polar regions of the South. Its eastern edge is the South Atlantic and to the west are the massive Andes Mountains.

With so much to offer, visitors feel that even with a 5,000-mile trip from New York to Buenos Aires, once you arrive, it all seems worth it. □



Herberto J. Field
Vice President and
General Manager
EATON I.C.S.A.
ARGENTINA

"Making New Investments"

Eaton Corporation started operating a plant dedicated to the production of front and rear axles, under the name of Eaton Eje I.C.S.A.

As development and demand increased in the automotive and truck market, two other plants were incorporated. These three independent plants were some time ago consolidated into one company known today as Eaton I.C.S.A. During these fifteen years the company has, in common with almost all local enterprises, encountered difficult times which fortunately are now being overcome. The continuity of a coordinated economic and social policy is showing its fruits.

In addition, the country's excellent human and material resources allow us to visualize a frankly hopeful future for private enterprise in Argentina. With this in mind, Eaton is at present gradually making new investments in order to meet the growth in demand.



Manuel R. Sacerdote
Vice President and
General Manager
THE FIRST NATIONAL
BANK OF BOSTON

First National Bank of Boston: A Long History in Argentina

Sixty years ago The First National Bank of Boston arrived in Argentina for the basic purpose of participating in wool and leather financing, thereby meeting the needs of the Argentine exporter and the United States importer.

Since then our institution has been closely linked to Argentina's national way of life, stimulating foreign trade, attracting new capital investments and introducing modern techniques and services as our contribution to the growth of the country.

Today, as always, we are collaborating in Argentina's economic expansion with a permanent faith in the future. For this reason we say that our philosophy is to grow, but to grow with the country, since we recognize that our future as a local bank is inextricably tied to the development and prosperity of Argentina.



Juan María Courard
President
FORD MOTOR
ARGENTINA S. A.

FORD: Established in 1913

Since its establishment in 1913, Ford has played an active role in the Argentine economic process, having gone along with it through different stages, and with sufficient presence and experience to pass a responsible judgement on the country.

As the President of Ford Motor Argentina, I can only praise the corporate wisdom demonstrated 64 years ago. For, despite occasional ups and downs, Argentina is essentially rich, thanks to the strength of its manpower and many resources.

When these forces can evolve freely, the country becomes able to unfold its potential power in full, as is happening now, when order, respect and a promising atmosphere regarding the future have resurged in Argentina, paving the way towards efficiency... a condition which I am able to measure through the operations of Ford Motor Argentina.



Antonio V. Michelena
Director General
GENERAL MOTORS
ARGENTINA S.A.

GM Predicts Sustained Industrial Development

General Motors Argentina initiated its operation in the country in 1925, developing an organization to merchandise the units built in its assembly plant from CKD components, as well as other GM products.

Early in 1960, under new legislation, the company started to manufacture passenger cars, commercial vehicles and engines according to a progressive local content program.

Over the years, GM Argentina's expansion has run parallel to the country's growth. Today, we are proud to have contributed in the development of the automotive industry, respected as one of the most important sectors of the national economy.

General Motors has confidence in the future of Argentina in view of its still untapped potential resources and we predict a sustained process of industrial development as the result of the consistent, continued application of the sound principles contained in the present economic program.

A Dialogue of International Significance

Lt. General Jorge Rafael Videla, President of Argentina, outlined his confidence in the dialogue process during a recent interview in Buenos Aires.

"I firmly believe in dialogue," he said, "to enhance relations among men. There is no great difference between dealings among men and dealings among nations." The Argentine leader also stressed the world's need for additional "face to face" communication where both sides speak openly and frankly of common problems. He said that this was "the best way to know and to better understand each other."

The leader of the Nation demonstrated his confidence in the dialogue process during his early September, 1977 visit to Washington where he met with President Jimmy Carter and other leaders in the Western Hemisphere. President Videla also visited New York where he greeted the Argentine Navy training vessel "LIBERTAD" and was received aboard by her complement of officers and young cadets.



Rene Mario Chiloteguy
General Manager
GTE INTERNATIONAL
INC., ARGENTINA

"One of the Most Promising Countries"

Argentina, which has a completely different mentality when compared with most other Latin American countries, has gone through a period of simultaneous economic and social evolutions which were not understood by international enterprises.

Nowadays, having overcome such transitional stages, Argentina is again in full economic development with a stability which makes the Nation one of the most promising countries in Latin America.

Our company, known world-wide as a leader in telecommunications and one of the Argentine industries with the highest electronic technology, is proud of being able to be part of the growth of the country by means of its experience and knowledge in the radio and multiplex telecommunication systems, as well as in the public switching market.



"Since 1931..."

GOODYEAR's early management recognized Argentina's potential market during the 1920's and this foresight resulted in the construction of its first Latin American factory at Hurlingham near Buenos Aires.

The first Argentine tire was vulcanized in 1931. This early start led to a long and successful history as throughout nearly half a century Goodyear closely accompanied and complemented the growth of Argentine agriculture and industry through diversification into a wide range of industrial rubber products.

The Argentine plant has produced millions of quality products over the years and we are confident that a prosperous Argentine future lies ahead.

The relationships developed between employees, dealers, industry and the Argentine public have been lasting and mutually satisfying.

NEUMATICOS GOODYEAR S.A.

Government Policy Statements

Argentina's President Addresses Issues

Since March 29, 1976, when Lt. Gen. Jorge Rafael Videla assumed the presidency of Argentina, the vast South American country with its great human and natural resources has made rapid and notable economic and social gains under his leadership. He has, among other things, encouraged foreign investments and recognized private enterprise as necessary to drive the economy forward. The distinguished 52-year-old President made the following policy statements and comments in addresses and press interviews in his country:

Democracy

"I firmly believe in democracy as a way of life which allows the full development of men in freedom and with a dignity that all men deserve as human beings."

Interview with American journalists, December 10, 1976

"The paramount role which the Armed Forces have assumed at this historic moment consists in making precise—with the contribution of everyone—those basic common principles which will allow us to build a solid and stable democratic system. In this order of ideas, to the classical values of liberty, equality and justice which make up the essence of democracy, we must add a principle of vital importance in the modern world: security."

Clarín, January 30, 1977

Human Rights and the Fight Against Subversion

"Each man must be free to choose because freedom is a spiritual need and an essential condition for living in a soci-

ety. So, an authentic authority must be based on the principle of freedom. Common well-being is reached by protecting the human rights of all members of the community. These rights are sacred. They involve freedom, property, security and, in general, human dignity."

Address to the Nation, May 24, 1976

"For us, the respect for human rights arises not only from the observance of the law and of international declarations, but from our profound and Christian conviction of the superior dignity of man as a fundamental value."

"It is precisely to assure the adequate protection of man's natural rights that we are assuming the full exercise of authority: not to see liberty downtrodden but to strengthen it, not to pervert justice but to impose it."

Inaugural address, March 30, 1976

International Relations

"The relations between the U. S. A. and the Argentine Republic have been of friendship and understanding through all our history. It was on the basis of that understanding that, as soon as we took charge of the government, we started conversations with the U. S. A., which showed once more that our relations are characterized by mutual cooperation and respect. It was within such a framework that we have presented, firmly and sincerely, our position, stating not only our difficulties but also our possibilities and potential capabilities. And I must say that we have found the necessary understanding. We believe and hope that the new situation arising from the change in government will not modify the prevailing

climate of cordiality, understanding and cooperation in our relations."

Santiago de Chile, November 11, 1976

The Economy

"The Government will direct its policies towards a pragmatic solution of the critical economic problems of the country. Clear, concise and permanent rules will prevail in order to stimulate investment and to reactivate the country's productive activity."

Inaugural address, March 30, 1976

"The country will seek in the future the contribution of foreign capital and technical knowledge. Both factors, together with a fast and sustained export growth, will make possible the needed expansion of our manufacturing sector and basic productive structure."

"The mixed economic system that prevails in our country is an irreversible fact of our reality, but it needs to be improved. That means that as long as the national security is not directly affected, the state will abstain from intervening in any productive activity where the private sector could engage in more efficiently."

Address to the Nation, March 31, 1977

Freedom of the Press

"As a man of government, I understand the importance of the press in the formation of public opinion and as an instrument for a close relationship between the Government and the people. The press enables the Government to know and, therefore, to serve the people better."

Address to Association of Foreign Correspondents, September, 1976



José A. Estenssoro
President
HUGHES TOOL
S. A. C. I. F. I.

"The Recovery of Argentina"

The recovery of Argentina will not be a miracle.

It will be the logical consequence of international utilization of her vast and yet untapped natural wealth, her excellent human resources, the dedication of her present leaders and the work of her people.



Victor L. Savanti
Vice President and
General Manager
IBM ARGENTINA S. A.

The Land of Tomorrow

That's how we describe Argentina.

IBM has confidence in Argentina's business potential—and its dedicated and talented people.

For more than 50 years we've been proud to provide Argentine customers with the same quality of services available from IBM throughout the world.

And during the last 16 years, since 1961, our manufacturing plant near Buenos Aires has been producing high technology Data Processing equipment for both local and world wide markets. In that time we've always found the capabilities of our Argentine suppliers to equal those of other suppliers throughout the world.

BUSINESSMEN'S DIALOGUE WITH **Argentina**

Social-Economic

30. Does the world press have the grounds to present a more favorable "image" of the real Argentina?

See question/answer 31.

31. Why does the international press continue to ignore the basic nature of the internal conflict and violence in Argentina?

The assertion made in this question is too generalized and does not conform to the facts.

It is not the totality of the foreign press but rather certain sectors of it that ignore the nature of Argentina's problems. Some do so for ideological reasons, others for the sensational effect which can be derived from it.

The terrorist criminals in our country, having been militarily defeated, are now attempting through the efforts of those in their ranks who live overseas, to present a wholly distorted picture of life in Argentina. This they try to achieve through media channels which are sympathetic to their cause or which

accept their story for lack of better information.

Their efforts are by no means entirely successful. To the contrary, many important publications have printed the true picture of what is happening here and have presented the reasons which caused the violence from which we are suffering. Violence brought about—it can never be too often or strongly stressed—by subversive delinquents who did not hesitate to use terrorism and heinous crime in their efforts to achieve their disruptive goals.

Argentina has only just overcome, by military action supported by the understanding and cooperation of its citizenry, an enormous threat to the liberty, democracy and human rights of its population.

This is the reality today in Argentina. To a considerable extent it has been recognized by the international press.

32. Since Argentina is alleged to permit the violation of human rights by government law enforcement units, is it possible to obtain undistorted information on the current situation?

Whoever makes such an allegation is mistaken, contributing voluntarily or otherwise to the spreading of misinformation.

Full information is readily available to the foreign as well as to the local press. Representatives of the Executive and Legislative branches of the U.S. Government recently visited our country and were able to see for themselves, without hindrance, what is the true situation.

The Argentine Government is sparing no effort to insure the ultimate full guarantee of human rights. Its fight against subversive terrorism is aimed precisely at eradicating the forces that through crime and depredation have so trampled on these very rights.

The elimination of subversion in Argentina is simultaneously halting the spread of terrorists in this end of the continent because of the key position which Argentina occupies.

33. In view of the internal violence, what steps have been taken to protect those foreign businessmen residing in Argentina who contribute to the nation's economic development?

We do not differentiate between Argentine and foreign businessmen. All have the support of the security and judicial systems of the country.

In this regard the facts can speak for themselves: from 1973 to 1976 many businessmen, Argentine and foreign, fled the country because of the threat of violence. Some did not make it, being felled by vile attacks of terrorists. That was the then state of affairs. Today however many of these men have returned from all over the world, many of them bringing plans for increasing their investment and operation in this country.

The security aspect has improved considerably over the past 20 months during which law-and-order has been reestablished. At any hour of the day or night it is as safe to walk the streets of Buenos Aires as those of any other large city in the world.

(continued on pg. 60)



Eduardo de la Fuente
President
**KAISER INDUSTRIAL
& COMERCIAL S.A.**

Significant Objectives Quickly Achieved

The Argentine business community has joined forces in order to make a responsible and enthusiastic contribution to the program of national reconstruction launched by the Armed Forces in March of 1976.

The plan applied and the positive reaction of all sectors of productivity has made it possible to achieve the following significant objectives in a brief period of time:

- internal pacification
- increased exports
- improved Central Bank reserves
- reestablished order in labor relations
- defense of private enterprise and renewed interest in investment
- reduction of inflation

Argentina, a country with exceptional human and natural resources, has returned to the moral and spiritual values that defined its identity. Under these conditions, private and public enterprises can plan and project their activities into the future in a country of enormous potential.



Juan Pedro Munro
Executive Vice President
**MASSALIN & CELASCO
S.A.**

Growth and Exports

Massalin & Celasco S.A., a leading cigarette manufacturer and exporter of quality tobaccos, is a member of the Philip Morris World Group of companies and firmly believes in the economic future of Argentina. We are privileged to be in a position to make a meaningful contribution.

As an industry based on agriculture, we play a key role in the economic and social development of an important farming sector; our quality products are widely accepted by the consumer and this has helped develop a dynamic and efficient industrial sector in which we play a leading and technologically innovative role. Our exports of tobacco make a significant contribution to Argentina's balance of payments.

In short, Argentina is growing and we are proud to be a part of that growth.



ARGENTINE GOVERNMENT OILFIELDS YACIMIENTOS PETROLIFEROS FISCALES REPUBLIC OF ARGENTINA

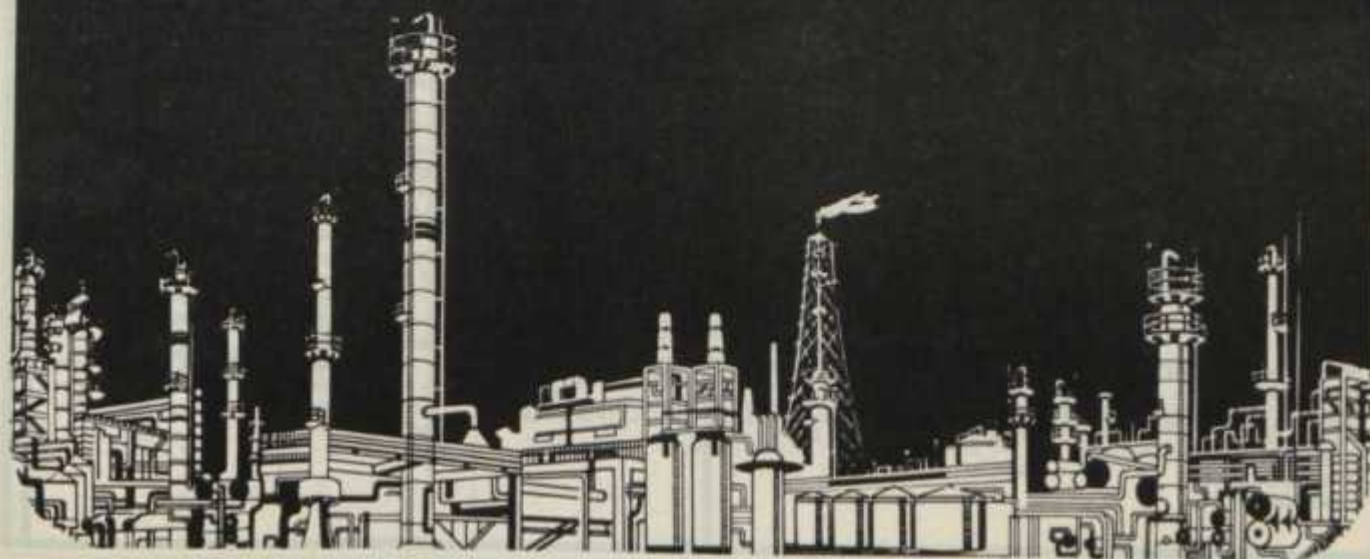
International Public Tender N° 14-870/77

ARGENTINE GOVERNMENT OILFIELDS (YACIMIENTOS PETROLIFEROS FISCALES) calls bids for International Public Tender N° 14-870/77 to contract services for exploration, exploitation and development of hydrocarbons in areas located in Isla Grande de la Tierra del Fuego and in the adjacent continental shelf (Republic of Argentina).

From September, 15, 1977 (08:45 A. M. to 12:30 P. M. and from 14:15 P. M. to 15:30 P. M.) tender's specifications will be made available at Avenida Roque Sáenz Peña 777 (Office N° 5) Buenos Aires, Argentina.

All interested in participating are invited to present corresponding proposals on January 17, 1978, before 11:00 A. M. The proposals should be simultaneously placed in two separated envelopes, hereinafter referred as "A" and "B", and both contained in a general envelope.

COST OF TENDER CONDITIONS: U\$S 50,000.- payable in Argentine currency at the rate of exchange ruling for closing seller price as quoted by BANCO DE LA NACION ARGENTINA the day before the date of sale.



BUSINESSMEN'S DIALOGUE WITH **Argentina**

Social Economic (cont'd)

34. Would the government assume the financial responsibility of meeting the ransom demands for the release of kidnapped foreign businessmen employed by investors abroad?

We can only reiterate our guiding principle in this respect: we will not negotiate, under any circumstances, with the forces of terrorism. This is part of our philosophy of not compromising with blackmailers. This is not insensitivity, to the contrary, it is a firm line of conduct which, in practice, has proven its validity.

This in no way precludes our efforts to protect to the fullest both Argentine and foreign businessmen as has been demonstrated in the past.

35. In addition to the attraction of foreign capital, industry and technology and the increase of exports, does the government plan other steps to expedite the recovery of the economy?

Within the economic program, priority has been given to providing the conditions for the development of the private entrepreneurial activity to increase production and productivity which have led to the expansion of investment and exports. Simultaneously, the plan is to reduce the government activity to that within its specific responsibility and to improve its efficiency.

Expansion and consumption must stem from a widespread increase in productivity, in terms of higher real salaries leading to increased consumption expenditure.

36. While inflationary tendencies and rising cost of living trends are difficult to control, what is the present forecast for reducing the rate of increase down to approximately 20% per annum?

The government has discarded price control mechanisms, which would bring about a quick reduction in the rate of inflation at the expense of efficiency in the productive system.

Instead, a gradual procedure has been adopted, in which the adjustment of

relative prices and the setting of economically reasonable rates for government services maintain an inflationary pressure and have slowed down the already impressive rate of reduction of pre-existing inflation. It is expected that the current rate of inflation will have become practically normal by 1979.

37. Availability of skilled, semi and unskilled labor?

The current situation in the labor market is one of close to full employment. This condition is also noticeable in the trend of unemployment rates which currently represent minimum values (3.2% for Greater Buenos Aires).

However, there is no lack of semiskilled labor nor of skilled workers, many of whom are returning to the country as a result of the significant recovery of the Argentine economy. There is also an unusual mobility of unskilled, semiskilled and skilled workers. Legal amendments eliminating regulations which affected productivity and encouraged absenteeism have been enacted and this trend will continue. Immigration schemes are also being contemplated. Therefore labor will not constitute a bottleneck for foreign investors. The quality and efficiency of Argentine labor are well known in Latin America.

38. What are the minimum labor rates in various sections of the Argentine economy?

BALANCE OF TRADE
(in millions of dollars)

	1960	1973	1974	1975	1976
Exports	1,079	3,266	3,831	2,961	3,916
Imports	1,249	2,229	3,635	3,946	3,003
BALANCE:	-170	+1,037	+296	-985	+913



Guillermo M. Yeatts
President
MASSEY-FERGUSON
ARGENTINA S.A.
President
A.F.A.T. (ASOC.
FABRICANTES
ARGENTINOS DE
TRACTORES)

Dynamic Growth of the Agricultural Sector

There has been considerable expansion in Argentina's agricultural sector during the last year and a half.

As a result, the tractor industry increased production 38.5% during 1976 plus 44% from January to August, 1977, versus the same period last year. This occurred after the government announced a realistic pricing policy based on international prices and by eliminating export duties on agricultural exports which ranged from 50% to 40%.

This produced a record grain crop of 32.4 million metric tons in the 1976/77 period. Notwithstanding this, the Argentine agricultural sector has yet to achieve optimum usage of its resources. It is the intention of the authorities to concentrate on the further development of this sector in order to further increase exports considerably above the traditional levels.



Carlos E. Dietl
President
PASA PETROQUIMICA
ARGENTINA S.A.

What Other Country Today Offers You the Challenge and Opportunities of Doing Business as Argentina?

It is again possible to plan for the future because of stability in government and in the rules for practically all activities.

Granted, we are still far from having solved all our problems, inflation for instance, but the trends are definitely in the right direction and, therefore, predictions and forecasts again have a meaning.

Our strong middle-class market, which is steadily growing, will soon exceed installed capacity in most activities, relative to the lack of private investments before March, 1976.

The opportunity is therefore here for the one who has the wisdom and courage to react first.

The Argentine economy will grow naturally in the near future at such a pace that, if you have a market here, you cannot afford to be out.

The last legal pay rise took place effective October this year, when Decree No. 2728/77 raised the minimum wage. The minimum basic wage was then fixed Arg. \$30,000.=; legal minimum wages in the various sectors in the economy being approximately as follows:

Agriculture: Arg. \$30,000.=
 Mines and quarries: Arg. \$30,000.=
 Commerce: Arg. \$30,000.=
 Building construction: .. Arg. \$33,200.=
 Industry: Arg. \$32,500.=
 Banks: Arg. \$37,500.=
 Automotive load
 transportation: Arg. \$32,000.=

The same decree authorizes business to raise legal salaries by up to 40%, so as to encourage individual productivity of workers. Increases beyond 40% may be given but are not tax deductible.

These salaries are also valid for the majority of additional benefits such as seniority, attendance, productivity, etc., which in some cases represent significantly higher pay.

39. List the obligatory fringe benefits and percentage of direct labor costs they represent?

The list included hereunder details the
 (continued on pg. 64)

ELMA'S FLEET REGULAR LINES



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- LPG canisters, cylinders and valves
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- Firearms and cartridges for hunters
- Signal flashes, fireworks and ejection equipment
- Chemical dissuatives
- Nonferrous products, laminated and extruded
- Piping for construction
- Steel bar, strips, rods and profiles
- Electric conductors
- Portable transceivers
- Railroad cars, passenger and freight and subway cars

Dirección General de Fabricaciones Militares

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 TELEX 122115-AR-DGFM

(continued from page 49)

financial resources towards productive investment. It has also assured that national savings should find profitable investment opportunities within the country and thus avoid their diversion to the foreign currency market.

The financial system has been totally reorganized in order to revitalize it by stimulating competition among financial institutions, thus assuring that the credit requirements for the evolution of the economy may be better supplied.

Reform of Foreign Exchange System

Another field in which a major step was taken was the reform of the foreign exchange system, which was necessary in order to stimulate production and exports and to reverse the negative trend of the balance of trade and payments. The target was to achieve a free rate of exchange and the elimination of exchange controls in order to obtain a free exchange market. By November of 1976, a unified rate of exchange was attained, subject only to the monitoring of the Central Bank through the purchase of foreign currency on the free market. This system of a "sliding" parity, eliminates the necessity of small or large periodical devaluations in order to

adjust the external sector.

At present, a practically total freedom of the exchange market has been achieved, including the possibility of freely remitting profits and royalties.

As a result of these measures, which included the elimination of the majority of export taxes, exports were stimulated both in the agricultural and the industrial sectors.

The Agricultural Sector

The response from the former sector was immediate and highly favorable, with the 1976/77 main grain crops having achieved a record volume of production, 45% above the annual average of the last 10 years.

The Industrial Sector

Industrial re-equipment of the country has also commenced with total gross fixed investment having grown by 25% during the second and third quarters of 1977, compared to the similar period of 1976, reaching a record level.

The Recovery of the Economy and the End of the Recession

The increase of the rate of economic activity began early in the second semes-

ter of 1976, which marked the end of the recession, which had started in 1975. From then on the trend of increased investment and production can be clearly observed by means of the corresponding economic indicators (24.6% increase for gross fixed investment and 7.9% growth of GDP for the third quarter of 1977).

The Reversal of the Inflationary Trend

The inflationary process has been drastically reversed and has declined from a level of about 920% per annum to approximately 120%, measured by the wholesale price index. This rate is still obviously high but the fight against inflation will continue to progress and the different measures being adopted in 1977, or to be implemented during 1978, will assure the continuation of the downward trend.

The Energy Program

The situation of Argentina is fortunate in comparison with other parts of the world, with reference to the very important energy situation, due to its resources. Two main courses of action are being followed: first, to increase the proportion of hydro-electric power in total energy consumption and, second, although Argentina is 85% self-sufficient in oil, an important

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program to obtain self-sufficiency has been launched. To this effect we are holding national and international tenders by means of which we will obtain the cooperation of private companies by the signing of drilling, production, secondary recovery and exploration contracts with the State oil company, in important on-shore and off-shore areas.

The External Sector

As to the external sector, in March of 1976 the country was in a situation of virtual default in its foreign obligations. Once the new Economic Program was on its way, the I.M.F. approved a u\$s 300 million stand-by credit, which together with the financial support of a group of private banks from the U.S.A., Canada, Western Europe and Japan for an amount of about one billion dollars, permitted converting the heavily concentrated short term foreign debt into medium term obligations.

The Reversal of the Balance of Payments Situation

The dramatic reversal of the negative figures of the balance of trade and of payments which existed at the change in Government, can be summarized by

pointing out that in the period of nine months from April 1976 to December 1976, there was a swing of nearly two billion dollars from a negative to a positive balance in these two aspects and in the international reserves.

This trend has continued and improved in the first nine months of 1977 which shows a positive balance of one billion dollars.

The gross external assets of the Central Bank and the freely disposable reserves have both reached record figures of 3.3 and 2.8 billion dollars respectively.

Conclusion

In conclusion, the evolution of the Argentine economy over the last year and a half under the new Economic Program is proof of what can be achieved by freeing the economy from unnecessary and inconvenient State intervention and relying basically on private enterprise as the main driving force under the overall control of the State which established the main policy guidelines.

It is obvious that a year and a half is not enough to achieve definite results and that there is still a relatively long road towards complete success. But with a stable government that is able to supply political support for the necessary continuity in the

implementation of the Economic Program, the cycle of the recovery with the achievement of the established goals will be completed. Thus the economy will have been put in a position to be able to continue the process of sound and balanced growth, eliminating the causes which have in the past brought about periodical cycles of positive and negative growth rates with high inflation, which have caused deep frustration. With abundant food production and the possibility of complete self-sufficiency in oil in the near future, this country has the privilege of not being affected by two of the world's major problems.

At a moment when many of the highly industrialized countries are going through a period of rising inflation rates, deepening recession and increasing unemployment, Argentina is following the opposite trend of declining inflation rates (although still relatively high), and has overcome the recession by the recovery of almost all sectors of the national economy with no unemployment.

What has been done to date shows a country which is well on the road to full development. Our abundant natural resources and the highly literate and trained population indicate that the future is full of opportunity and challenge for Argentina. □



What We Can Do For You....

Since 1918, AmCham Argentina has been serving the industrial and commercial interests of U. S. companies doing business in Argentina... as well as the interests of our host country in its relationship with both U. S. business and the United States as a country.

During the 1973/1975 period this AmCham maintained a low profile, but since April 1976, we have been steadily increasing our activities; during the past 20 months, over 180 new member firms have joined us.

AmCham Argentina can help any U. S. firm obtain information with which to study possible investments in Argentina. We publish a monthly magazine, "Comments on Argentine Trade", and a weekly "News-Letter", as well as a yearly "Directory on American Business in Argentina."

Our membership is composed of firms, large and small—American, purely Argentine or of mixed ownership—the only basic requirement for admittance being an interest in good relations and the development of business between Argentina and the United States.

What can we do for you?

The American Chamber of Commerce in Argentina

Avenida R. Saenz Peña 567
Cable: USCHAMBCOM

1352 Buenos Aires, Argentina
Tel: 33-5591/2

BUSINESSMEN'S DIALOGUE WITH **Argentina**

Socio-Econ. (from pg. 61)

social charges which represent direct costs to the employers. They are in force in all labor sectors.

Social charges	% of all wages
1. Company pension fund contribution	15
2. Family benefits	12
3. 13th month pay	8.33
4. FONAVI ¹	5
5. Social welfare fund	4.55
6. National Tourism Fund ²	0.17
7. Ministry of Labour ³	0.08
8. INOS ⁴	0.3
9. Pension contribution, on item 3 (15% of 8.33%)	1.25
10. Family allowance, on item 3 (12% of 8.33%)	1.00
11. FONAVI on item 3 (5% of 8.33%)	0.42
	48.10

40. "Argentine labor ignores the economic realities; they lack self discipline." Is this international cliché justified?

Argentine labor has not shown any particular inclination towards disregarding economic realities except during the 1973-March 1976 period the



trade unions actively participated in Government. It is their action during this period which led to a cliché which is otherwise unfair. As to self-discipline and ability, the experience of Argentine and foreign businessmen has been that Argentine labor fully meets the standards required by a modern industrialized economy. □

ANNEX

¹ National Housing Fund, exclusively for low-cost housing.

² For promotion of social tourism; funds being appropriated to the Ministry of Social Welfare.

³ Funds allocated to cover services by fiscal departments in charge of fixing wages and for legal enforcement and control throughout the country.

⁴ Social Security Institute. Deduction is on 13th. month pay, and allocated to financing work by this Institute.

ACKNOWLEDGMENTS

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Osvaldo A. Martinez
General Manager
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In 1928 Refinerías de Maíz S. A. I. C. F.—subsidiary of CPC INTERNATIONAL—began operations in Argentina. The main business at that time was the processing of corn, one of the most important crops of the country.

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Our company also produces the famous Knorr broths and soups, and Hellmann's mayonnaise, and operates a dehydrated-vegetable plant and a cheese plant.

All of this has been achieved, due to the country's wealth and its industrious people, in a peaceful and stable environment and with a great trust in a promising future.



Juan A. R. Seltún
President
SASETRU S.A.

SASETRU: Feeding Argentina for 30 Years and the World, 20 Years

Active in the Argentine market since 1947, SASETRU ventured successfully into the international market in 1958, on its own behalf and in representation of its affiliated companies with wheat, linseed, sunflower, soya, and other products plus by-products which SASETRU industrializes. This group also produces wine and alcohol; frozen fish, noodles, rice, canned peaches and tomatoes; meat and edible fats.

The recent and spectacular return of Argentina to its traditional international position permitted SASETRU's sales figures for 1977 to reach U. S. \$400 million.

Although the European Economic Community is our principal client, we have on-the-spot placings in both Latin America and the United States. The next few years will see these many markets supplied with Argentine foodstuffs, industrialized by SASETRU.

Argentina Hosts World Cup in 1978

Best Soccer Teams in the World Will Compete

Argentina, itself a strong contender, will be host in 1978 to the XI World Cup Soccer Tournament, the biggest event in all sports. The game is called "fútbol" in Spanish, but hardly resembles American football. For one thing, the ball is usually kicked forward with the feet, never carried. But like U.S. football, the game is rough and tough.

Sixteen crack teams from nations in all parts of the world will fight it out in round-robin competition for the coveted silver bowl, symbolic of global soccer supremacy, in games that will be played in five Argentine cities—Buenos Aires, the capital; Mar del Plata, Mendoza, Cordoba and Rosario, starting the first of next June and lasting almost the full month.

Costs Run into Millions

Sparkling new stadiums with the most modern features are nearing completion in Mar del Plata, a popular seaside resort on the South Atlantic, and in Mendoza, in the shadow of the snow-capped Andes near the Chilean border.

Present top-quality stadiums in the other three cities are being expanded and remodeled to accommodate the throngs of national and international sports fans who will attend the games. Each of the stadiums seats more than 100,000 spectators. Some fans will fly to Argentina from half-way around the earth to witness the highly emotional and hard-fought matches between the best soccer teams that can be fielded.

U. S. Fans Will Attend

Many of the World Cup spectators will come from the United States, where soc-

cer is growing in popularity by leaps and bounds. U. S. professional teams are developing rapidly and some fans say that the day is not too far off when the American teams will carry off the trophy.

Hotels, large and small, in the five cities will be jam-packed during the sports event. Local restaurants will see to it that visitors will be wined and dined in the country's finest tradition. Argentina's fashionable shops, theatres and night spots are girding for the onslaught of international soccer fans.

Hopes of Argentina's Team

Although Argentina consistently produces strong World Cup contenders, it has not yet captured the prestigious tournament. But loyal Argentine fans feel that 1978 might well be the year. If so, the country doubtlessly would go wild with joy. The fans would literally dance in the streets. The Argentine team is coached by Cesar Luis Menotti, a former international star himself. He is fully confident that his team will show a good account of themselves in the cup matches.

Uruguay and Brazil are the only South American teams that have won the World Cup. Brazil did it three times—in 1958, 1962 and 1970. Pelé, the greatest player in the history of soccer, led Brazil's national team to the victories in the 1958 and 1970 games. Uruguay won the cup in 1930, the first year the World Cup matches were played.

The games are held every four years under the auspices of FIFA (Federation Internationale de Football Associations), governing body of the sport.

Today, West Germany is the reigning



champion, having won the World Cup in 1974 on their home fields. Their first World Cup triumph was in 1954.

While soccer holds prime attention in sports-loving Argentina, golf, tennis and polo rank among the country's favorite sports.



Antony A. Hambouris
President and General
Manager
WORTHINGTON
ARGENTINA
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Worthington in Argentina

With a 9% increase in the Industrial GNP for the third quarter of this year (1977), coupled with 23% increase in investment, Argentina is well on its way to economic recovery.

Worthington serves five basic needs of man: food, water, health and sanitation, energy and transportation. To serve these dynamic industries Worthington Argentina has grown more than tenfold in the past decade, and we expect to double our production once again by 1980. Our continuous reinvestment of profits is but one indication of our commitment to our customers and the industries we serve.

Given the political stability and continuity in the present economic program, we look at the future with optimism and hope to continue to contribute and to benefit from the development of this hospitable land.



Matias E. Campiani
President
XEROX ARGENTINA
I. C. S. A.

Success Means Unbiased Confidence

Argentina, one of the leading countries in Latin America, has lately become a special investment environment for both local and foreign investors.

The economic policy now in force for close to two years, the immense untapped natural resources, one of the highest levels of education, and a stable political setup ... add up to produce an excellent framework for the development of private initiative.

Our company started operations in 1967 and has become a leading factor in applying technological advances to the overall area of communications in business and government.

Our future plans in Argentina call for increasing our investment as well as the diversification of our present lines of activity. This is a consequence of our successful operation so far, and of our unbiased confidence in the nation's future.

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Desalting systems for cities and ships at sea. Waste water treatment and by-product recovery. Pollution-free heat generation. Wherever you find Aqua-Chem at work, you'll find that energy conservation and environmental protection go hand in hand. It's just one of the reasons we are a leader in every field we serve...a company where modern technology and innovative thinking come together.



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A SUBSIDIARY OF THE COCA-COLA COMPANY

ANOTHER EXAMPLE OF HOW THE COCA-COLA COMPANY IS HELPING TO IMPROVE THE ENVIRONMENT.

EVERY BUSINESSMAN is eager to have an efficient organization. The business leader, however, must never allow this eagerness to lead him to quell the characteristics of human behavior necessary for efficiency. The manager cannot view people as an extension of a machine, but must examine them in terms of human values.

Many so-called efficiency experts call for elimination of conversational fat. They say conversation between managerial employees, other than the bare minimum needed for transmission of essential information, is idle chitchat.

What employees need

However, what may be viewed as nonproductive conversation from the standpoint of the business organization serves important needs of the individual.

Every individual has a set of needs which he seeks to satisfy through his actions. These have been described by psychologist Abraham Maslow as a hierarchy with several levels. First, the physical need for food, shelter, and other requisites to survival must be satisfied. Then there is the need for security and lack of fear. Third, the individual has the need for belongingness, for feeling part of some group. Fourth, there is the desire to gain recognition or self-esteem. Finally, human beings want to self-actualize, to reach their full potential as people and members of society.

Business organizations generally provide for physical and safety needs through pay and other compensation plans. However, it is very easy for the businessman in the quest for efficiency to overlook the needs for belongingness, self-esteem, and self-actualization.

If these needs are not satisfied by the business organization, the individual seeks to satisfy them through activities which do not focus on business activities. Attempts to gain group membership, recognition, and self-actualization often appear as apparently extraneous conversation. However, these actions are very important to an individual's emotional well-being and job satisfaction.

In light of this, the manager may respond with, "So what should I do about extraneous conversation, just condone it?"

The answer is yes and no. Yes, in the sense that conversation is a necessary part of an individual's life. Attempts to curb chitchat would not only prove

Using Chitchat for Good Employee Morale

By Robert E. Pitts
and Ken R. Thompson

ineffective, but would also impair the way the organization functions.

Restrictions on conversation would lead to an oppressive climate that hinders the development of leader-subordinate relationships necessary for an effective business organization.

If the individual cannot satisfy personal needs on the job in some manner, either business-related or not, dissatisfaction occurs. This dissatisfaction inevitably leads to decreased job commitment and increased absenteeism and turnover. Extraneous conversation should not be allowed unchecked, but should be channeled to meet both business and individual needs.

A positive approach

A positive approach that leads to the desired effect would consist of a two-part strategy.

First, the manager should attempt to reinforce an individual's good work performance by providing for rewards that attempt to fulfill the needs for belongingness and esteem. Every time a manager sees that the individual is working well, not engaging in idle conversation, a word of praise or recognition would be in order. Allowing participation in work-related decisions will aid in committing the individual to the organization and inspire a feeling of belonging.

In the case of conversations that are extraneous to the organization and continue for a long time, the manager need not criticize the conversations or attempt to redirect them toward business activities. Such action probably does little to solve the basic problem and may, in fact, hurt the relationship between the subordinate and the supervisor.

A more positive approach is to make sure each individual in the organization understands that rewards come for contributing to business activities, not just for talking.

The second strategy a manager can use is to provide a work environment

that satisfies all the needs of the individual while the individual is performing business activities. Then the employee will have less need to seek nonproductive conversation.

For example, in the early West, settlers learned that cornhusking bees and barn-raising parties could aid in getting the job done as well as in developing a community spirit. Collectively, people could help one another and fulfill their own needs by these group actions.

In a similar manner, today's manager can learn to structure activities to meet both the needs of the organization and the needs of the individual. A team approach, working lunches, and open communications between the subordinates and the leader are ways to direct conversations positively.

Paying off in the future

At committee meetings, allowing some time for general conversation should pay off in the future through a greater commitment of the individual to the organization. Why? Because the organization is fulfilling the individual's needs more completely.

Several organizational development techniques, such as team-building, sensitivity training, and transactional analysis, address themselves to transforming work groups into more cohesive units. Research has shown that a more cohesive unit can act with greater speed than another one. Chitchat can aid in developing cohesiveness.

It is a challenge for the manager to provide the right climate in the organization so that conversation will be directed toward more organizationally desirable ends.

The leader has an opportunity to provide a more rewarding, meaningful environment for the employee. He or she can do so by paying close attention to the needs of employees to belong and to be recognized for their contributions. Channeling these individual needs toward organizational goals produces greater rewards for the organization as well as for the employee. □

DR. PITTS is an assistant professor of marketing management and Mr. Thompson is an instructor of organizational behavior management at the University of Notre Dame College of Business Administration. This article is a response to an article, "Chop the Chitchat—Save Time and Money," which appeared in the September issue of *Nation's Business*.

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The World of Industry

continued from page 42D

lion pounds of plastic and other products derived from petroleum annually.

Current manufacturing techniques apply a solid plastic coating to wire. The new insulation process uses a foamed core enclosed by thin plastic inner and outer skins. About 50 percent of the foamed core consists of air.

Bell engineers have been aware of the advantages of foam for years, but the problem has been in developing high-speed manufacturing techniques. New machines at Western Electric plants in Atlanta, Omaha, Phoenix, and Baltimore are spewing out the foam-insulated wire at a rate of slightly more than a mile a minute. •

1,500 Mirrors to Focus on Solar Power Tower

America's first solar power tower, which is to rise 283 feet above the desert floor near Barstow, Calif., is going to do its job with 1,500 mirrors.

The Energy Research and Development Administration has accepted a design concept for the tower from McDonnell Douglas Astronautics Co. Total cost of the ten-megawatt electrical generating plant is estimated at \$100 million. Future systems, scaled up from this design, will produce 50 megawatts of power or more.

Atop the tower will be a boiler heated by concentrated rays of the sun from the 1,500 mirrors, each of which will be 40 square meters. The field of mirrors will be computer-controlled to continuously reflect the sun. An oil and rock system will be used to store heat for generating electricity when there is no sunlight. •

Leisurely Growth Seen for Tin Consumption

World tin consumption in the 1975-1985 period is going to rise more slowly than in the previous two decades, a study by Bank of America economists reveals.

The reason, says the bank, is that other materials such as aluminum will substitute for tinplate in more and more container applications. As a result, tin usage is expected to grow at a leisurely one percent annual rate.

Price increases—20 percent this year and an expected further hike of five percent in 1978—are reducing tin's competitiveness.

The bank's analysis projects sufficient ore reserves to last the world for 50 years at anticipated rates of consumption.

Major deposits are located in Central Africa, South America, and Southeast Asia. Malaysia, the largest producer, accounts for more than one third of Free World production. The U.S. is the largest consumer, using twice as much as the second largest, Japan. •

Rise Seen in Imports of Liquefied Gas

If all currently proposed projects are completed, the United States by 1985 will probably be importing in the form of liquefied gas between eight and 12 percent of the natural gas it consumes. The figure is less than one percent now.

That is the estimate from the Office of Technology Assessment, the research and evaluation agency that Congress established for itself in 1972. OTA officials say the projects involve up to six terminals and 41 liquefied natural gas tankers.

Still a subject of controversy is the

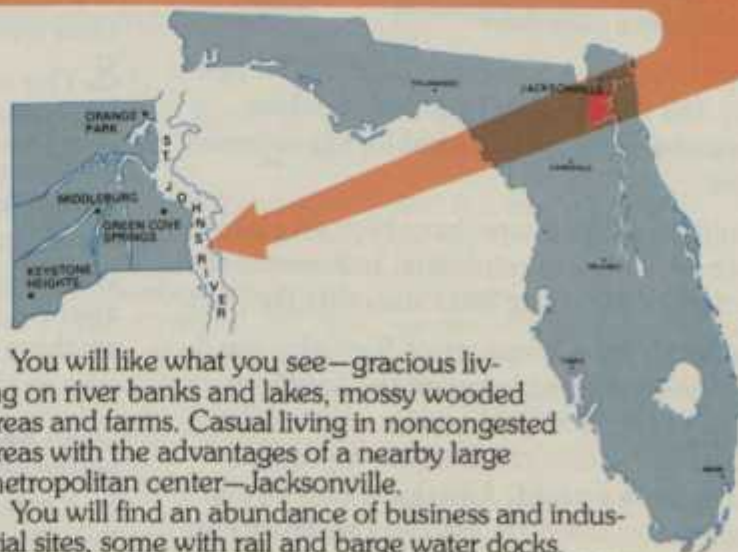
matter of safety. Lack of experience and no reliable method of assessing the risks make it difficult now to calculate the dangers involved.

In trying to come up with safety assessments, OTA considered, for example, a collision at sea in which an LNG tank is ruptured and the resulting gas cloud is ignited. OTA cites two government studies to point out a wide variance.

One study suggests there would be danger 25 to 50 miles away, while another comes up with three fourths of a mile. OTA's report says that future terminals will likely be in remote sites onshore or offshore, although the agency believes the probability of accidents is small.

The newest site approved by a Federal Energy Regulatory Commission administrative law judge is at Matagorda Bay, Texas. A consortium of U.S. firms would invest \$1.5 billion in the project, including the cost of six LNG tankers. Sonatrach, the Algerian national oil and gas corporation, would invest \$3 billion or more, which would include an additional six tankers. Initial gas deliveries would begin in 1983. □

Take a close look at Clay County



You will like what you see—gracious living on river banks and lakes, mossy wooded areas and farms. Casual living in noncongested areas with the advantages of a nearby large metropolitan center—Jacksonville.

You will find an abundance of business and industrial sites, some with rail and barge water docks.

There are four industrial parks (two with airfields), a good labor force and excellent training facilities plus ample room to develop your own site.

For comprehensive data, write in confidence to Virgil F. Fox, CID, Director of Economic Development.



Clay County Development Authority
Orange Park, Florida 32073

In cooperation with the Florida Department of Commerce.



Nine reasons why you shouldn't move to Jacksonville, unless it's to Southern's new Westlake Industrial Park.

1. Westlake is Southern's new 5,000 acre industrial park under construction in Jacksonville. One of the largest land development projects ever undertaken by a railroad.

2. With 2,000 acres of planned locations for light industry and distribution facilities, Westlake-Southern industrial park is ideal for rail-oriented business.

3. In addition, 3,000 acres have been set aside at Westlake for park-like residential and commercial augmentation, including lakes and other facilities.

4. Besides all the advantages of Westlake, you'll have all the benefits of being on the Southern. We're one of the most profitable transportation companies in the country. Because we run our railroad to make a profit. And that means we run it to serve our customers the best way we know how.

5. Southern offers run-through trains in many areas. You know what that can do for you. And Southern's on-time record is one of the best in the industry.

6. Our Industrial Development Department works hard for you. We're experienced at getting you labor and tax data. We give you the services of our economist, planning engineer and geologist.

And of course we'll do the track layout, as well.

7. We pride ourselves on our confidentiality. When we get information for you, nobody else finds out who it's for.

8. Our mainline runs throughout the thirteen southeastern states—that's where the action is.

9. We have an Industrial Development Manager for Florida, as well as every state, who does all the legwork for you in that state. He's in close contact with state and local ID groups, so he's aware of changes in ownership of sites and anything else affecting your plant location. As soon as they happen.

In short, when you pick a site at Westlake, you get all the advantages of being on the Southern. So it makes sense to call Bob Geer, our Asst. Vice President for Industrial Development at (202) 628-4460, or write him at Southern Railway, P.O. Box 1808, Washington, D.C. 20013, before you begin considering locations in Jacksonville. Because he won't just sell you a site, he'll sell you a railroad.

SOUTHERN

THE RAILWAY SYSTEM THAT GIVES A GREEN LIGHT TO INNOVATIONS

How Smaller Firms Are Profiting From Sales Abroad

Large companies traditionally have accounted for the vast bulk of U. S. exports. Now more and more small and medium-size firms are finding opportunity in foreign markets.

Sparks fly as a workman smooths edges of a roof fan destined for export by General Resources Corp., of Hopkins, Minn.



PHOTO: JIM MC TIGHE/ST

THE FIGURES tell a sad story.

Of approximately 300,000 manufacturing firms in the United States, only 25,000 are exporters. At least another 25,000 firms have excellent exporting potential, but are not realizing that potential.

The bad news continues.

During the 20th century the U. S. has run deficits in foreign trade in only four years—1971, 1972, 1974, and 1976. This will be the fifth deficit year, and the deficit is certain to set an all-time record—a staggering \$25 billion to \$30 billion. The previous record was set in 1972. It was \$6.4 billion.

The U. S. presently exports \$115 billion worth of goods yearly, and the total must be increased, not only to avoid trade deficits, but also because of nontrade spending that is included in our balance of payments along with trade. There is a need to offset foreign aid expenditures, unreimbursed sums spent by Uncle Sam

to maintain military forces abroad, and money spent by Americans traveling in other countries.

America is the world's largest exporter. With our 218 million people, however, our \$115 billion in exports compares unfavorably on a per capita basis with West Germany (62 million-plus people and exports of \$102 billion in goods and services), Japan (111 million-plus people, who export \$67 billion worth) and France (more than 52 million, who export \$57 billion worth).

Now for some good news. U. S. exports are increasing. Additional small and medium-size American firms are taking the plunge into exporting.

Officials at the Departments of State, Commerce, Agriculture, and Labor, at the Export-Import Bank, and at other agencies say the time has come for many more companies to join in.

Giant corporations have been deep into exporting for years, with the

largest 200 American manufacturing firms accounting for approximately half of the country's total exports, and the largest 500 firms accounting for approximately 80 percent.

So it is up to small and medium-size firms to make stronger bids for foreign business which not only would improve the lot of the firms themselves, but also would increase the 12 percent of total world exports that America accounts for.

Information gap closes

Once, when small American companies began exporting, they took their corporate lives into their hands. They were shooting in the dark because there was insufficient information on scores of factors that stood between investment and eventual profits.

They needed information, for example, on shipping, markets, money exchanges, profits repatriation, lines of credit, sales outlets, representa-



President Edward A. Richard, of Magnetics International, Inc., Maple Heights, Ohio, stands among giant magnets to be shipped abroad.



Scores of boxes of aluminum and fiberglass screening are bound for Australia from Phifer International Sales, Inc., of Tuscaloosa, Ala. Phifer International is the active export arm of Phifer Wire Products, Inc.

tives abroad, tolls, tariffs, language translation services and requirements, traditions of customers, potential joint venture partners, caliber of workers, wage scales and extra benefits, warehousing and storage facilities, advertising and promotion, insurance, and packaging requirements.

Many small firms now going into exporting say they encounter fewer problems getting started than they anticipated because the shortage of information has largely been eradicated. American companies can go into exporting these days with their eyes wide open.

Trade fairs help

The Commerce Department's Bureau of International Commerce is supplying exporters with an array of technical and general information and is willing to make suggestions regarding foreign partners or representatives.

Each year the Commerce Department operates 15 major trade fairs in the U. S. which are primarily aimed at increasing exports. Some fairs include up to 1,500 exhibitors, cover nine acres of display space, and have six miles of aisles. Companies rent booths and set up displays to attract

foreign and American customers. Personal contacts are made during these fairs which develop into commercial relationships.

Recently the department began conducting "industry fortnights" in which foreign customers visit participating American plants, meet executives, and watch production. They return home with better impressions of American business.

The department also conducts seminars during which executives of companies in the export trade speak and answer questions from foreign and domestic buyers. Commerce Department officials use people they call multipliers to drum up interest in exporting among small companies. Multipliers can be bankers, airline officials, trade association executives, or chamber of commerce experts on foreign trade. These people deal regularly with U. S. businessmen who are interested in exporting and with foreigners who are interested in buying American goods and services.

Other assistance

The State Department has commercial attachés around the world in embassies and consulates. It also has a large commercial section in Washington which cooperates with business executives in collecting and supplying information on production and trade.

In addition, the Small Business Administration has banks of information on foreign trade and publishes a beginner's manual called, "Export Marketing for Smaller Firms." Under certain circumstances SBA makes low-interest loans to help companies get into exporting.

Information is available at the Chamber of Commerce of the United States in Washington, American chambers abroad, foreign chambers and foreign countries' trade offices in the U. S., large banks, international airlines, and foreign-trade development offices operated by American state governments.

Small firm's success story

Denes B. Hunkar, president of Hunkar Laboratories, Inc., of Cincinnati, depended heavily on Commerce Department services in 1969 when he launched his young company into exporting. The company makes parts for and assembles complicated electronic controls which operate plastic-shaping machinery. These controls determine, for example, if a plastic

container will be shaped like a milk bottle or a bucket.

"I was grossing about \$180,000 a year when I began exporting," Mr. Hunkar says. "My company was not in very good shape. My marketing operation consisted of a sales manager, one salesman, three representatives, and myself. We needed outlets and good people."

He attended a Commerce Department seminar on export promotion and learned about the variety of aids the government provides. Government information in a "Foreign Market Report" on the plastics industry in Europe outlined what the competition there would be. Mr. Hunkar also learned that the Commerce Department would distribute his company's sales literature and help him make contacts in Europe.

"In September, 1969, I spent \$2,000 of my hard-earned money to go to a Commerce trade show in Frankfurt, Germany, where there were displays by companies involved with plastics," he says. "Commerce found a translator and an assistant for me and distributed my sales material."

"I took a booth, tore apart one of

my catalogs, and stuck the sheets on the walls. I put a set of controls I carried to Europe on a small table and fixed a sign over it which said, 'Klein aber oho.' That's German for, 'Small but mighty.'"

Using Commerce information, Mr. Hunkar located a representative to handle sales in Germany.

Today Hunkar Laboratories operates in 22 countries through a network of representatives and sales officials. The company expects its gross this year to total about \$3 million, of which 38 percent will be from exporting. Thirty-five percent of the profits come from exporting.

\$1.70 in his pocket

Mr. Hunkar has come a long way since he arrived in the U. S. with \$1.70 in his pocket in 1957. He owns 67 percent of the stock in his company, and he lives well.

A student in his native Budapest when the 1956 Hungarian Revolution broke out, he was shot at and fought Russian tanks by pouring oil on hilly roads, making tanks skid into ditches. When the Soviets prevailed, he slipped out to Austria. Then he moved to Germany, then

OUR MAJOR TRADING PARTNERS: EXPORTS AND IMPORTS

The following sums are the total values, in billions of dollars, of American exports and imports to and from our major trading-partner nations in 1976.

EXPORTS TO

Canada	\$24.1
Mexico	\$ 4.9
West Germany	\$ 5.7
United Kingdom	\$ 4.8
The Netherlands	\$ 4.6
France	\$ 3.4
Italy	\$ 3.1
Belgium-Luxembourg	\$ 2.9
Japan	\$10.1
Iran	\$ 2.8
Saudi Arabia	\$ 2.8
Venezuela	\$ 2.6
Indonesia	\$ 1.0
Nigeria	\$.8
Libya	\$.3
Algeria	\$.5
Soviet Union	\$ 2.3
South Korea	\$ 2.0
Brazil	\$ 2.8
Spain	\$ 2.0
Taiwan	\$ 1.6
Australia	\$ 2.2
South Africa	\$ 1.3

IMPORTS FROM

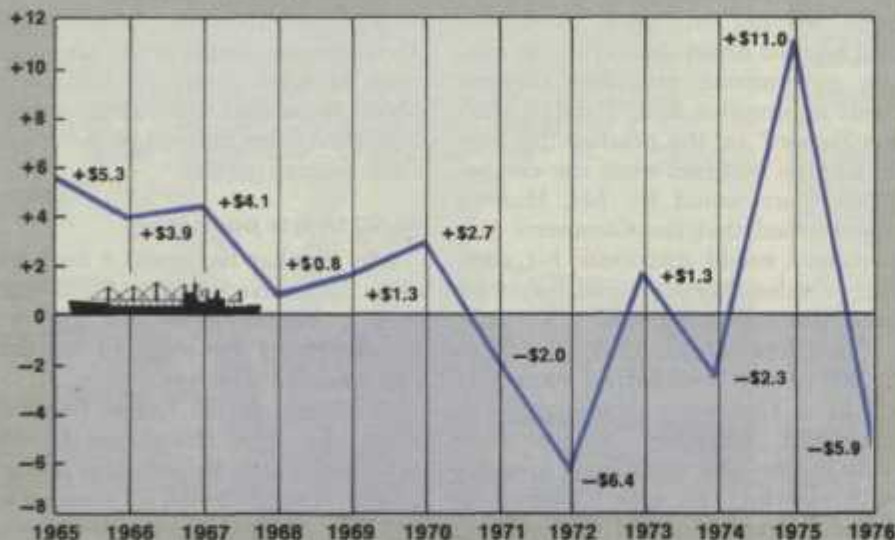
Canada	\$26.2
Mexico	\$ 3.6
West Germany	\$ 5.6
United Kingdom	\$ 4.3
The Netherlands	\$ 1.1
France	\$ 2.5
Italy	\$ 2.5
Belgium-Luxembourg	\$ 1.1
Japan	\$15.5
Iran	\$ 1.5
Saudi Arabia	\$ 5.2
Venezuela	\$ 3.6
Indonesia	\$ 3.0
Nigeria	\$ 4.9
Libya	\$ 2.2
Algeria	\$ 2.2
Soviet Union	\$.2
South Korea	\$ 2.4
Brazil	\$ 1.7
Spain	\$.9
Taiwan	\$ 2.9
Australia	\$ 1.2
South Africa	\$.9

OUR FOREIGN TRADE BALANCE, YEAR BY YEAR

The expected U. S. foreign trade deficit of between \$25 billion and \$30 billion this year, aggravated by heavy purchases of oil from abroad, alone will come close to the sum of this country's trade surpluses in the

past dozen years. There have been trade surpluses in eight years from 1965 on. They total \$30.5 billion.

Here, year-by-year, are the annual balances of trade, in billions of dollars.



to Cleveland, and finally to Cincinnati, where he became an assistant professor at the University of Cincinnati.

As a means of getting more money, he started a one-man electronics workshop which operated only at night and on weekends.

Today Mr. Hunkar operates on a full schedule out of an attractive set of new offices, and his company has 64 employees.

When visitors arrive from abroad, he runs up their national flag over his plant. This makes friends in a hurry.

Hunkar Laboratories has little turnover. The employees are happy. They should be. Mr. Hunkar distributes ten percent of profits every three months to them as a productivity incentive.

Thriving on aerial exports

In Purchase, N. Y., Aerotech World Trade Corp. offers another example of how a small company can thrive on exports.

Basically, Aerotech's business is to provide fast procurement, handling, and shipment of airplane parts and other aviation products for customers

abroad. The company stocks many parts. Customers include plane manufacturers, airlines, and military air forces.

The company is owned by Berthor F. Endresen and his son, Jan. Business is good, and Aerotech is expanding.

"We feel the company fills a liaison gap between U. S. aerospace and aviation manufacturers and overseas markets," Mr. Endresen says. "We are thinking of going in more for domestic business, and we are branching out in other ways."

Aerotech has begun exporting protection devices which are set up around airfields and manufacturing plants. The company designs entire safety systems which include closed circuit television, fencing, alarms, and other detection devices.

A South American country has asked Aerotech to design protection for ten air bases.

Two other export lines that the company is going into are software for training computer operators and flight-simulation ground training equipment for inexperienced pilots.

Immigrant from Norway

Mr. Endresen was a Norwegian air force pilot in World War II. He came to the U. S. from Oslo in 1949 and soon set up his own firm to export airplane equipment. He sent representatives to 20 countries, and his company prospered. Then Lear Siegler, Inc., bought him out and made him a partner. In 1976 he left Lear Siegler and set up an entirely new company, Aerotech.

During Aerotech's first six months of activity, last year, the company grossed \$4 million. Mr. Endresen expects the gross to be approximately \$9.5 million this year and to reach \$13.5 million in 1978.

A boon to Aerotech is the fact that American planes are operated almost all over the world. As new planes are manufactured and sold to airlines in Western nations, old planes are sold to governments of small, developing countries. These planes, airliners as well as military craft, need new parts, and Mr. Endresen is in business to supply the parts on short notice.

Words of caution

Both Mr. Endresen and Mr. Hunkar say that more small and medium-size companies should get into exporting, that the problems are not as big as they may appear, and

WHERE SMALL COMPANIES CAN GET HELP

For information and assistance in organizing your small business for starting or expanding export sales, you can contact the National Chamber's Center for Small Business.

It is located at National Chamber headquarters, 1615 H Street N. W., Washington, D. C. 20062.

The center was created to assist the National Chamber's Council of Small Business, which seeks visibility in Washington for the problems of small companies and

which acts to achieve solutions for those problems. The center provides liaison with agencies of the executive branch, congressional committees, and other units of the National Chamber.

Other sources of information:

- The Bureau of International Commerce, U. S. Department of Commerce, Washington, D. C. 20230.

- The Small Business Administration, 1441 L Street N.W., Washington, D. C. 20416.

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SAVING—Everyone saves *something*—the combination of all the moneys saved becomes a pool of capital. When this capital is available for businesses or individuals to borrow to obtain major needs and wants, the result is a dynamic job-producing economy... unless government drains money from this pool of capital, producing a shortage of available funds. This presentation shows that it makes sense to save, to assure an adequate pool of capital, and to resist the temptation for government to engage in deficit spending.



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that good profits are waiting to be made.

They and other executives of exporting firms add some words of caution, however.

It is generally agreed that special knowledge is required to be a good exporter. A company has to handle foreign languages, although English is the commercial language of the world. More effort usually must go into foreign selling than into domestic selling. Costly travel is involved.

And although U. S. exporters get considerable help from federal officials, these companies will be competing with some foreign firms that get much more help from their governments. Electronics exporters in some foreign countries, for example, have their products shipped as far as American entry ports at their governments' expense. This means they can sell FOB San Francisco, New York, Baltimore, or other port cities.

Assets for exporters

On the other hand, important factors work in favor of U. S. exporters. Among them is the economic cycle. Economic downturns almost invariably hit in the U. S. a year or 18 months before they reach foreign countries, giving a cushion to companies with business both in the U. S. and abroad. When such a company finds its domestic sales shriveling, it may find its profits bolstered by a good volume of exports. When exporting is slow, domestic business often is going well.

Worker productivity in the U. S. is generally higher than it is abroad. Besides, in many countries plants only operate about ten months each year because of numerous holidays and long vacations.

Also, managers of foreign firms are often hesitant to make changes in production, styling, and sales lines, enabling American companies to come out with more up-to-date products than foreign firms have for sale.

Pay scales, when extra benefits are counted in, are now close to being the same here as they are in several foreign nations. Due to more expensive extra benefits abroad, some workers in America cost their employers less than their counterparts in Europe.

This is the reversal of the situation of 25 to 30 years ago.

"It makes a lot of difference," Mr. Hunkar says. □

The Ultimate Tax Shelter



by
TED NICHOLAS

Tax experts are now referring to a small, privately owned corporation as "The Ultimate Tax Shelter." This is especially true since the passage of the Tax Reform Act of 1976. This law makes most former tax shelters either obsolete, or of little advantage. Investments affected include real estate, oil and gas drilling, cattle feeding, movies, etc. These former tax shelters have lost their attractiveness. Aside from that, these tax shelters required a large investment. Only a small segment of the population could benefit from them.

I've written a book showing how you can form your own corporation. I've taken all the mystery out of it. Thousands of people have already used the system for incorporation described in the book. I'll describe how you may obtain it without risk and with a valuable free bonus.

A corporation can be formed by anyone at surprisingly low cost. And the government encourages people to incorporate, which is a little known fact. The government has recognized the important role of small business in our country. Through favorable legislation incorporating a small business, hobby, or sideline is perfectly legal and ethical. There are numerous tax laws favorable to corporate owners. Some of them are remarkable in this age of ever-increasing taxation. Everyone of us needs all the tax shelter we can get!

Here are just a few of the advantages of having my book on incorporating. You can limit your personal liability. All that is at stake is the money you have invested. This amount can be zero to a few hundred or even a few thousand dollars. Your home, furniture, car, savings, or other possessions are not at risk. You can raise capital and still keep control of your business. You can put aside up to 25% of your income tax free. If you desire, you may wish to set up a non-profit corporation or operate a corporation anonymously. You will save from \$300 to \$1,000 simply by using the handy tear-out forms included in the book. All the things you need: certificate of incorporation, minutes, by-laws, etc., including complete instructions.

There are still other advantages. Your own corporation enables you to more easily maintain continuity and facilitate transfer of ownership. Tax free fringe benefits can be arranged. You can set up your health and life insurance and other programs for you and your family wherein they are tax deductible. Another very important option available to you through incorporation is a medical reim-

bursment plan (MRP). Under an MRP, all medical, dental, pharmaceutical expenses for you and your family can become tax deductible to the corporation. An unincorporated person must exclude the first 3% of family's medical expenses from a personal tax return. For an individual earning \$20,000 the first \$600 are not deductible.

Retirement plans, and pension and profit-sharing arrangements can be set up for you with far greater benefits than those available to self-employed individuals.

A word of caution. Incorporating may not be for you right now. However, my book will help you decide whether or not a corporation is for you now or in the future. I review all the advantages and disadvantages in depth. This choice is yours after learning all the options. If you do decide to incorporate, it can be done by mail quickly and within 48 hours. You never have to leave the privacy of your home.

I'll also reveal to you some startling facts. Why lawyers often charge substantial fees for incorporating when often they prefer not to, and why two-thirds of the New York and American Stock Exchange companies incorporate in Delaware.

You may wonder how others have successfully used the book. Not only a small unincorporated business, but enjoyable hobbies, part time businesses, and even existing jobs have been set up as full fledged corporations. You don't have to have a big business going to benefit. In fact, not many people realize some very important facts. There are 30,000 new businesses formed in the U.S. each and every month. 98% of them are small businesses; often just one individual working from home.

To gain all the advantages of incorporating, it doesn't matter where you live, your age, race, or sex. All that counts is your ideas. If you are looking for some new ideas, I believe my book will stimulate you in that area. I do know many small businessmen, housewives, hobbyists, engineers, and lawyers who have acted on the suggestions in my book. A woman who was my former secretary is incorporated. She is now grossing over \$30,000 working from her home by providing a secretarial service to me and other local businesses. She works her own hours and has all the corporate advantages.

I briefly mentioned that you can start with no capital whatsoever. I know it can be done, since I have formed 18 companies of my own, and I began each

one of them with nothing. Beginning at age 22, I incorporated my first company which was a candy manufacturing concern. Without credit or experience, I raised \$96,000. From that starting point grew a chain of 30 stores. I'm proud of the fact that at age 29 I was selected by a group of businessmen as one of the outstanding businessmen in the nation. As a result of this award, I received an invitation to personally meet with the President of the United States.

I wrote my book, *How To Form Your Own Corporation Without A Lawyer For Under \$50*, because I felt that many more people than otherwise would could become the President of their own corporations. As it has turned out, a very high proportion of all the corporations formed in America each month, at the present time are using my book to incorporate.

Just picture yourself in the position of President of your own corporation. My book gives you all the information you need to make your decision. Let me help you make your business dreams come true.

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New Way to Cut the Risk of Running a Business

By William D. Haggerty
Chairman, Chicago Board of Trade

COMMODITIES futures markets have been a vital part of American agriculture for more than 100 years. And now highly volatile prices in such nonagricultural commodities as plywood and interest rates make futures trading ideally suited to a broad new spectrum of American businesses.

Trading in commodity futures has been experiencing rapid growth. From 1970 to 1975 trading volume of the combined commodity exchanges increased 136 percent while combined volume of the stock exchanges increased 37 percent.

Up, up, up . . .

The Chicago Board of Trade last year chalked up its seventh year of back-to-back volume records, and volume for the first nine months of 1977 was more than 20 percent higher than in a like period a year ago. Last year industrywide commodity futures trading volume reached 36.9 million contracts.

Futures contracts currently are traded on ten exchanges in the United States. The Chicago Board of Trade is the largest, with about 51 percent of the volume in 1976. The Chicago Mercantile Exchange was second last year, and the Commodity Exchange, Inc., in New York was third. Industrywide, 58 futures contracts are traded, in commodities ranging from soybeans to silver.

All this activity in futures trading has its basis in sound business managing. Without the futures markets, long-range budget planning for many

businesses would be impossible. Rapid, unpredictable price fluctuation in many commodities burdens both commercial and industrial enterprises with unwanted risk of adverse price changes.

Businesses can use the futures markets to shift much of the risk of price fluctuation to speculators who try to profit from the sale and purchase of commodity futures contracts or of the commodities themselves. Since futures prices and cash commodity prices tend to move in generally parallel patterns, producers, processors, and merchandisers can offset their positions in paid-for commodities with opposite positions in the futures markets.

Thus hedged in the futures markets, a firm knows—within a reasonable range—how much its future commodity supplies will cost and can set the price of its product accordingly.

As a result, the business makes a fair profit without extreme risk, and the consumer gets products that are reasonably priced.

Plywood and silver

The Chicago Board of Trade diversified into nonagricultural markets in 1969 with futures contracts in plywood and silver. The plywood contract serves to protect both producers and users in the construction, housing, and shipping industries from the large and sudden price changes plaguing one of their staple commodities.

Trading in this contract, which has

been amended occasionally to maintain its usefulness to the hedger, grew rapidly during the early 1970's. Government regulation, uncertain supply, and fluctuating demand caused extreme volatility in plywood prices. Mills, warehouses, and commercial users have found that one of the most reliable ways to protect their profit margins is to hedge their cash plywood inventories on the futures markets.

Similarly, silver producers and silver users—such as mining concerns, smelters and refiners, and firms in the photographic industry—have the opportunity to hedge their price lists in silver futures trading. The often erratic fluctuations in silver prices can markedly affect such companies' operations.

Credit is a commodity, too

These same principles of risk transfer now can become valuable financial tools for one of our nation's biggest industries—credit. Credit is a commodity just as soybeans, wheat, or steel are. Along with many other commodities, interest rates experienced a dramatic increase in volatility in the late 1960's and early 1970's. Just as a soybean processor can use futures markets to lock in a price for his soybeans, a savings and loan association, bank, or corporation now can lock in the price of credit.

In response to the need for a means of minimizing the risk of adverse changes in interest rates, the Chicago Board of Trade initiated a new contract in 1975 which allowed trading in mortgage interest rate futures based on modified pass-through certificates guaranteed by the Government National Mortgage Association.

Although this contract is less than two years old, its volume during September outpaced 37 of the 58 futures contracts traded in America. The popularity of the GNMA contract has prompted the Chicago Board of Trade to begin trading in two additional financial instruments contracts.

Futures trading in long-term U. S. Treasury bonds began in August, and trading in 90-day commercial-paper loan futures opened a month later. These two types of futures, along with GNMA futures, give the Chicago Board of Trade contracts that touch every major aspect of the credit markets. The three contracts cover long, medium, and short-term inter-

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est rates, reflective of government, housing, and corporate financial activity.

Vast possibilities

The possibilities for hedging in interest rates are as vast and varied as the credit industry itself.

For example, an institutional investor can use a futures contract to lock in the price of an anticipated investment. If the institution's investment manager knows he will have \$1 million to invest at a given future date, but likes the yields on Treasury bonds now, he can guard against a possible drop in yields by buying ten futures contracts in Treasury bonds (each futures contract has a face value of \$100,000).

Then, when he has the funds available, he can sell the futures contracts and simultaneously buy the \$1 million in actual Treasury bonds. The futures transaction in effect allows the investor to lock in an attractive yield for his planned investment up to two years before he makes it.

A firm which anticipates the need to borrow money at a known future date can similarly choose in advance the interest rate it will pay. In this

case the firm could first buy a commercial paper loan futures contract at an attractive interest rate, then sell the contract when the money actually is borrowed. This offsets to a great extent any fluctuations in interest rates between the time when a firm anticipates the need for a loan and the time which any money is actually borrowed.

Many debt instruments have yields which correlate closely with the yields of other debt instruments with similar maturities and credit risks. Because of this, institutions and investors with portfolios of financial instruments not represented on the futures markets can hedge through similar instruments that are so represented.

Acceptance by businessmen

Of course the hedger should realize that, in forgoing the risk of an adverse price trend, he also is forgoing the risk of a favorable price trend. As long as he is hedged, he remains insulated from overall interest rate trends in both directions. A consistently successful hedger is willing to forgo occasional profits he might have had by not hedging in the interest

of long-run advantages that this conservative business practice provides.

And that is what futures trading—in traditional as well as the newly traded commodities—is really all about: reducing the risk of running a business. The speculative side of futures markets often gets a lot more publicity. The markets' high leverage makes futures trading an exciting speculative medium—margins, the amount of money posted by buyers and sellers to guarantee that they will meet the financial commitments of a contract, usually are five to ten percent of the value of a commodity and are even less in the case of interest rate futures. Still, it is commercial use that permits futures markets to survive and grow.

The business community's increasing acceptance of futures trading as a valuable financial tool accounts for the commodity futures markets' current stature in the financial world. The futures industry can be proud of its record of growth and service.

Yet, as the Chicago Board of Trade enters into the vast credit markets with its new contracts, we realize that the potential of the futures markets is still virtually untapped. □



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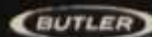
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Roots of Britain's Troubles

By Sterling G. Slappey

Low productivity—stemming largely from socialism and excessive union power—is the key to Britain's economic woes. This article assesses current trends and looks to the future

RECENTLY an 18-foot giraffe in the Marwell Park Zoo near Winchester, England, slipped and fell spread-eagled in his pen. Every effort was made to get him on his spindly, wobbly legs again. Once an air bag was thrust under him and hot air pumped in with the hope that this would give him a lift.

Nothing succeeded. Victor, the giraffe, never got back on his feet.

Victor was loved, agonized over, and mourned throughout the kingdom after his death, not only because he was an animal who died in a zoo, but because he lost a gallant struggle in which Britain's best minds and efforts could not help.

To many Britons, Victor's struggle held a hint of their own economic efforts to get their country back on her feet. The question now is: Will the British succeed, or go the way of Victor?

Britain is now plagued with incredibly low productivity in the majority of her plants and businesses. High unemployment and high inflation plague the economy. Labor troubles for which Britain is unhappily famous remain largely unsolved.

Great efforts are being made by the

Labor Party in office to get Britain back on her feet again. But, no one knows if she will make it or not, despite recent signs of improvement.

Troubles a century old

The roots of Britain's troubles, some people say, go back more than 100 years to when the Industrial Revolution ended. The British, who started the revolution, failed to adjust to changes in world trade patterns and eventually began to slip behind in production and business methods.

A rigid class system also kept talented people from rising to the top in business.

In World War I, Britain suffered six million battle casualties, including 420,000 dead and wounded during the Battle of the Somme alone. This decimation of a generation of leaders still hurts.

Some Britons believe their country failed to adjust to her changing world status from the head of an empire on which the sun never set to the modest leader of a commonwealth of nations and still later to her present simple membership in the European Economic Community—the Common Market.

Too long, it is often said, Britain

continued to act like the leader of an empire when she had become little more than a small, overpopulated, and rocky island in the North Sea.

Still another source of trouble was that Britain clung to her special relationship with the United States, and this kept Britain from joining the European Common Market in 1957 when she first had the opportunity. Not until the early 1970's did she finally join.

Private enterprise downgraded

I lived and worked as a journalist in Britain during most of the 1950's, and I have returned on lengthy assignments at least 25 times. I spent much of the late autumn in Britain this year talking with government and business leaders and taking a critical look at the economy, business, government, and the labor situation.

Along with other observers, some of whom are staunch pro-labor observers, I noted a major root of Britain's troubles.

Immediately after World War II ended in Europe in 1945, Britain turned sharply away from the Conservative Party then led by Sir Winston Churchill. For the next six years, while Sir Winston was out of the govern-



Len Murray, Trades Union Congress general secretary, says labor trouble comes from Trotskyites who are "total socialists" and often anarchists. He says they agitate, promise more than they can deliver, shout down other union speakers, and harass good union members.



Chancellor Denis Healey claims that Britons made easy sales within the Empire and Commonwealth for too long. Now they must sell in tougher markets in Europe and North America. He is confident that austerity measures of the Labor government will save Britain.



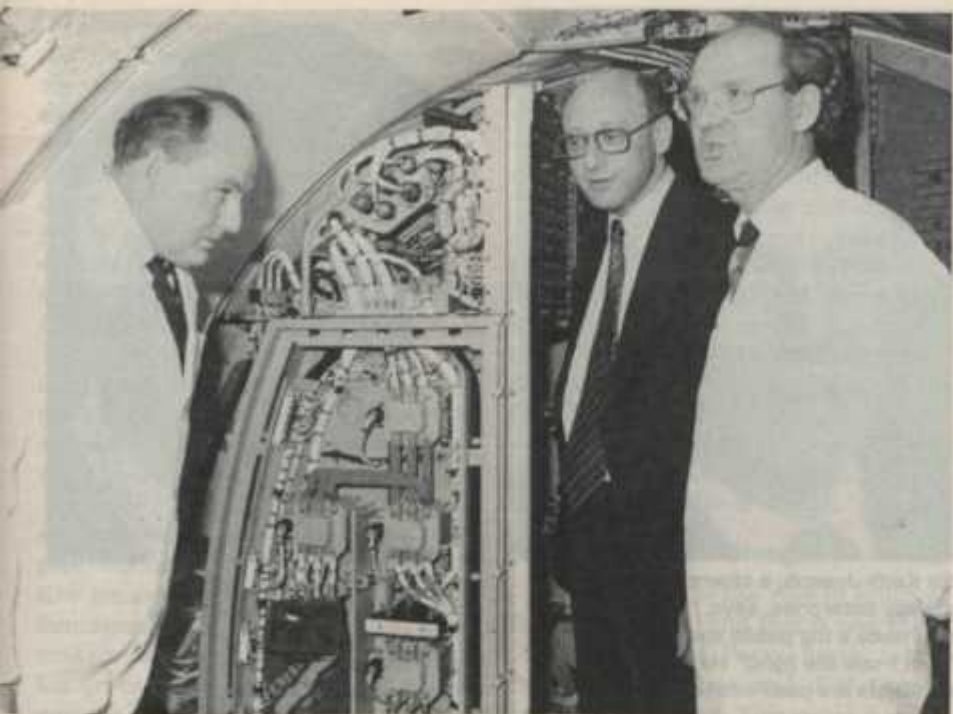
Austin Bide, chief executive of Glaxo, a big pharmaceutical and food firm, puts finishing touch on a new research building. He says the International Monetary Fund "tells the Labor government how to run Britain, and Labor needs telling." He adds that punitive taxes force good people to leave Britain and unions pick on weaker companies "like you pluck apples from the lowest limbs."

ment, Britain had a socialist government run by the Labor Party of Clement Attlee. Extensive national planning was begun as well as the nationalization of industry. Government-owned industries now include the railways, long-haul trucks, health facilities, several energy producing industries, steel, aircraft construction and design, many ports, and a slice of the automobile industry.

Along with this downgrading of private enterprise, the Labor Party has taken the power from thousands of private companies to run themselves and, in effect, handed that power to unions.

Conservatives turn left

Several industries and scores of major companies that were not nationalized passed under the unofficial and indirect control of left-wing unions. The tiny 25,000-member Communist Party lost all its seats in the House of



Minister of State Gerald Kaufman inspects a Concorde supersonic plane. He blames low British productivity on lack of industrial development, lack of return on investment, poor management, and bad labor relations. Despite this, he thinks Britain is turning the corner.

Commons many years ago. But then the communists, along with other avowed Marxists, Trotskyites, and garden variety leftists, set out to control the unions that controlled these privately owned companies. The unions also controlled the Labor Party which often controlled Britain. The extreme leftists have succeeded in some cases to such an extent that Communist Party members now run for, and win, union offices on the strength of being communist.

This does not apply to all unions. There are tens of thousands of good union members and patriotic unions. In fact, one third of the union vote in local and national elections goes regularly to candidates who oppose nationalization, extremism, and socialistic policies. Unfortunately, these trade unionists and other moderates too often have not been as active in union affairs and politics as the extremists.

The Conservative Party, the only major opposition to Labor, shifted toward the left in the late 1950's and 1960's. When running the government, the conservatives continued lavish public spending and tended to increase, rather than decrease, governmental involvement in business and in other phases of private life. Sky-high personal taxes, business taxes, and death duties remained in effect. Wel-

fare schemes and other vote-getting programs pioneered by Labor were continued. The conservatives were also slow to denationalize industry.

Regardless of which set of roots can be agreed upon for Britain's trouble, there is little question that an incredibly bad productivity performance has resulted.

Some change hinted

Productivity has not improved, despite the fact that there have been some indications of improved industrial, commercial, and political health in the past three or four months. The increasing flow of North Sea oil, which is almost entirely produced by private U.S., British, and Dutch firms, is unquestionably a factor in the marginal improvement. Another factor is the recent improvement in attitudes of some of Britain's most militant unionists, although the fireman's strike that was called in November is hardly a case in point.

Some have seen the light—finally. A few are even willing to grudgingly admit that, unless union members work harder and better and produce more, Britain might not get back on her feet. At the same time, they demand better leadership and equipment from business managers whom they fault for lack of initiative, basic inability, and

poor planning. Because of this partial enlightenment by some unions, the number of strikes has tapered off. Unemployment is down slightly, the balance of payments is in surplus, and the Labor government of Prime Minister James Callaghan and Chancellor of the Exchequer Denis Healey has begun to get a handle on inflation which now runs at 15.6 percent, down from approximately 25 percent a few months ago.

Productivity remains the biggest problem. Low productivity results from poor work habits; too little allegiance to country and company, and too much to the union; agitation by extremists who want to retard the work flow; and strikes over niggling matters, such as demands for liquid soap instead of soap bars in company washrooms. There is some unimaginative business leadership and much outdated equipment and operating methods. Taxes are so high for poor and affluent alike that initiative is squelched at both ends of the pay scale. Government giveaway programs bleed the national treasury.

Statistics prove a point

William Rees-Mogg, editor of "The Times" of London, one of the world's most influential newspapers, has studied Britain's productivity record and determined that:

- An employee of Pan American Airways handles three times as much traffic as an employee of nationalized British Airways.
- A Japanese steelworker produces 5½ tons of steel for every ton produced by a Briton in the nationalized mills of Britain.

- Dutch productivity in manufacturing is twice the British rate.

- In productivity comparisons of 36 industrial groups in the European Economic Community, Britain comes out last in 34.

"The Times" often leans Labor's way, and yet Mr. Rees-Mogg says, "The British disease is low manpower productivity; too many man-hours per unit of output. It is an underlying cause of all the other weaknesses in our economy. It is the inevitable consequence of one alarming fact. Almost throughout British industry, managers have lost the most essential power of management. They cannot decide how many people they will employ to carry out a particular job."

Overmanning is the British phrase for featherbedding. Time and again the phrase comes up in visits with



Sir Arnold Weinstock, British industrialist, says union members now reassert themselves and discipline by some left-wing leaders is evaporating.



Sir Keith Joseph, a champion of private enterprise, says, "I was once a big public spender. Then I saw the light." He says socialists are poor economists.



Sir Arthur Knight, Courtaulds chairman, oversees negotiations of 150 separate union contracts yearly due to fragmentation of Britain's organized labor.

cabinet ministers, such as Chancellor Healey; with Gerald Kaufman, minister of state in the Department of Industry; with Sir Keith Joseph, Conservative Party member of Parliament and chief theoretician for Conservative leader Margaret Thatcher, and with a number of chairmen of Britain's largest business firms.

Generally speaking, British pay

scales and standards of living are lower than in other Common Market countries, except Ireland, and certainly lower than in the U.S. and Canada. If this were not true, British exports would be penalized by prices even higher than they are now. As things now stand, low productivity and overmanning add to costs of exports.

After acknowledging that pay is low-

er, British executives point out that the best way to get pay scales on a par with those in competitor nations is to increase productivity. This would increase the number of items to sell and eventually would bring more money for salaries back into Britain.

A major culprit in low productivity is Britain's unreasonable, left-wing unions.

Studies show that where there is little union constraint on productivity, little overmanning, and few strikes, British productivity is high by international standards. For example, productivity in British-owned companies in North America is as high as productivity in American and Canadian-owned companies. The National Enterprise Board, the government holding company that buys into sick firms and lends them money in the hope of revival, acknowledged recently that profits from its nationalized units plunged in the first half of 1977. A poor production performance at British Leyland Ltd. added to the woes.

The Rover automobile works at Solihull are part of Leyland. The plant is one of the most modern in the world. It is designed to turn out 4,000 cars per month. Last July two cars were produced. Strikes and bad labor relations were principal causes of the poor performance.

A bonus to show up

Union-rigged overmanning, low productivity, and absenteeism feed inflation. They increase the work force and

AMERICA GOING THE WAY OF BRITAIN?

Much of Britain's economic troubles discussed in the accompanying article can be traced to excessive union strength.

While Britain now tries to achieve a better balance between labor and management, in Washington the House has passed and the Senate is considering a labor-law "reform" measure which would make it far easier for unions to organize workers. [See "Business Fights Union Power Grab," NATION'S BUSINESS, September, 1977.]

In capsule form, here are some major provisions of the measure:

- Quickie elections would be authorized within 25 days after the National Labor Relations Board certifies an election petition.
- Unions would get equal physical

access to company premises to hold meetings if a company held meetings on the premises to discuss a union election issue.

- Employees who have been fired due to union activities would get double back pay.

• If unfair labor practices are considered willful, the company—including all branches, divisions, and satellites—would be barred from federal contracts for three years.

- If a company dragged its feet during bargaining, unions could go to NLRB and win pay increases based on a liberal Labor Department index which has measured percentages of pay raises at various companies. This would, for the first time, let government get into the bargaining process.

nurture worker demands for higher pay for less work. The situation with absenteeism has grown so bad that one electrical firm, Thorn Lighting, is offering workers at its plant in Merthyr Tydfil, Wales, a five-pound bonus—equal to about \$9.25—per week extra just to show up for work. A company spokesman says, "If more people come to work, obviously more work will be done, and productivity will go up."

Mr. Rees-Mogg says, "If overmanning is industrial suicide—and it is—the unions regret the suicide, but they defend to the death their members' right to commit it."

Scores of small, quickly-called strikes over petty issues, along with poor workmanship and lack of initiative among workers and disillusioned managers have cost Britain's automakers nearly half of the home market for cars. Just over ten years ago 95 percent of the cars sold in Britain were British-made. This year only a little more than half are British.

On a recent sunny morning in the Victoria section of London, 25 motorcycles and motorbikes were parked at the curb. All were Hondas, Plaggios, Yamahas, or Suzukis. Not one was British. Twenty-five years ago, when Britain was the world's leading maker of motorcycles, 22 or 23 of the bikes would have been British.

A few stop many

Industrial leaders in Britain often comment on differences between unions and union members in Britain and those in the U.S. Leaders who were interviewed during the preparation of this article include Sir Arthur Knight, chairman of the giant fiber, textile, and packaging firm, Courtaulds Ltd.; Austin E. Bide, chairman of Glaxo Holdings Ltd., an international pharmaceutical and food company; and Sir Arnold Weinstock, managing director of The General Electric Co. Ltd., no affiliate of America's GE.

These businessmen usually point out that more man-hours of work are lost in an average year in the U.S. due to strikes than in Britain but that American managers often know weeks, even months, ahead when a strike is likely. Therefore, management can prepare for the strike, build up stocks, and make some personnel adjustments.

Another major difference is that as many as 35 different unions must be dealt with at a medium-size British company while their U.S. counterparts may have only one or two unions to deal with.

Many British strikes will directly involve only 15 or 20 workers, sometimes fewer. But they can and do stop the company's entire work flow.

British shop stewards are often the most extremist among union members. Their influence is strong, although not as much as a year or two ago. Hundreds of them are avowed Marxists, others are socialists, and some brag that they are card-carrying members of the Communist Party. The American labor movement has been much freer of far left influences over the past 40 years. There are few counterparts of the British communist shop steward in U.S. labor unions.

Union members disagree

A closed shop is the rule in much of British industry, and this is one thing the Conservative Party hopes to reduce in scope when and if the party gets back in power. This could happen if events at the Webster and Bennett machine tool factory in Coventry are indications. Workers there disowned their shop stewards and planned a right-to-work demonstration. The demonstration followed a two-week strike by 40 engineering workers over a weekly five-pound pay claim. Four hundred employees were idled.

London's "Sunday Times" conducted a national poll of union members in October and found that most of them

now oppose the closed shop, mass picketing, and the union's close links with the Labor Party.

Another Conservative Party objective is to increase the use of mail ballots in union elections instead of requiring members to vote in person. This would be a means of combating hyperactive left-wingers who throng union meetings at election time to get their candidates voted into office. Recently several Marxists and communists lost elections decided by mail ballots. Many votes were cast by members who might not have shown up to vote at the union hall.

Len Murray, general secretary of the Trades Union Congress—roughly a counterpart to the AFL-CIO—told me late in October that scores of left-wing shop stewards have lost their positions, or at least lost their power, and others have had to moderate their views because of pressure from rank-and-file members.

During the autumn, four new television programs began ridiculing labor unions, shop stewards, and members. In one of them, a comedy called "The Rag Trade," the villain was a woman shop steward who was constantly blowing her whistle to call the "brothers" out on strike. All the "brothers" were seamstresses.

Another indication that labor must change to a more moderate stance or



"What it means, brother, is that a mere pontoon player in Bathgate will get the same rate as us whist players here at Cowley!"

Formerly, poking fun at workingmen was most unusual in labor-conscious Britain. That attitude has changed in recent months, however, as this cartoon reprinted from the London "Evening Standard" demonstrates vividly. British television now includes programs that ridicule shop stewards and unions in general.

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lose support among the people came in a recent poll. The question asked, in so many words, was, "Whom do you trust the most?" Union leaders came in last on a list of eight. Business leaders placed fourth. The British Broadcasting Corporation came in first.

Sir Arnold Weinstock is optimistic that attitudes toward far leftists in unions are changing. He says, "The British people have much common sense, and they are beginning to reassert themselves."

Despite Labor Party rule for nearly four years, unemployment reached record levels earlier this year before subsidizing somewhat. Just over 1.6 million people were unemployed late this autumn out of a work force of 23 million. Also, during the Labor administration, the average Briton has suffered the biggest drop in real disposable income in 100 years.

While the pound sterling has gained in strength recently, this may not be a blessing. A stronger pound makes British exports more expensive and imports more attractive.

Some improvements

Improvements in British life late this year can be laid to Prime Minister Callaghan, Chancellor Healey, moderate union members who have cooperated in the period of austerity, and thousands of companies that have hung on in bad times and gone aggressively after new business.

Late in October Chancellor Healey signaled the improvements with slight cuts in personal taxes across the board.

Still another slice of credit must go to the International Monetary Fund, which has made a multibillion-dollar line of credit available to Britain. The IMF demanded and got agreement from the Labor government to reduce its spending. The IMF took such a hard line that anti-Laborites in London are saying, "The real rulers of Britain sit in Washington, home of the IMF."

Not all IMF credits have been used, and Chancellor Healey has said he hopes to avoid drawing the full amount.

During a visit I paid to his quarters at 11 Downing St., the chancellor said he wanted to increase Britain's value-added tax of eight percent and possibly other indirect taxes so he could further reduce personal income taxes. The top rate is now 83 percent on earned income and 98 percent on unearned income. Mr. Healey acknowledges these rates stifle initiative.

At the bottom of the scale, workers

pay such high taxes on their earnings that they can stay home and realize just as much through welfare payments on which they pay no taxes. This is a damaging situation, Mr. Healey says.

Britain's top leaders welcomed the increased degree of restraint shown by some unions in moderating wage demands. Workers at Ford Motor Co. plants have settled for 12 percent pay increases, including all fringe benefit increases, instead of continuing to demand 20 to 33 percent raises. Although the increase was two percent over government guidelines, the settlement was welcome just the same.

Plug for profits

Banking and insurance firms, stalwart British money-makers for two centuries, have been running scared for years over fears that a Labor government would nationalize them. Chancellor Healey flatly denies this. "At least this will not happen as long as the Prime Minister and I are in our present offices," he says.

Sir Keith Joseph, noted as a champion of private enterprise, is often described as "doing much of the thinking for Mrs. Thatcher." At any rate, he has her ear and the two have set up the Center for Policy Studies where Conservative planning goes on.

Sir Keith says a cause of Britain's troubles is that socialists have a vendetta against profits and they spend too much public money. "All they want is to take money out of business and redistribute it. They know nothing of profits and how profits are necessary to enlarge business," he says.

Mrs. Thatcher's Conservative Party is hoping that Prime Minister Callaghan will call an election next spring. Mrs. Thatcher has seen her party's ratings drop in recent polls, which show it has even lost strength among major business leaders.

Meanwhile, Labor's ratings have edged up as Britain's more sensible unions have acted with more moderation than at any time since the 1950's. They did so only because they had to, but still this is progress in this land where private enterprise was brought to full flower.

No one knows how much progress this represents or how permanent this labor moderation is. Furthermore, no one will know for several months whether Britain is about to regain her economic feet or if she, like Victor, the giraffe, will stay spread-eagled on her little island in the North Sea. □

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LESSONS OF
LEADERSHIP

Succeeding Against Government Competition

Canadian Pacific is up against state-owned companies that enjoy sizable advantages, but it consistently outperforms them. CP Chairman Ian Sinclair tells why

IAN D. SINCLAIR is a big man with broad shoulders, a wide smile that he seems always ready to flash, and a resounding voice that he learned to project when he was a lawyer in public hearings before government boards and commissions of inquiry.

As chairman and chief executive officer of Canadian Pacific Ltd., he has clear ideas of what he wants for his company. At negotiating tables where he goes to make various deals, including buying out American and other companies, he is formidable.

Mr. Sinclair, 63, does not deny that he is a tough negotiator. "My objective is to make a deal that is good for both sides," he says. "All I try to do is get a smidgen more than the other fellow."

Some Canadian businessmen seem at times to be overawed by their American counterparts. Ian Sinclair most emphatically is not. He is fond of the United States and admires many American businessmen and business practices. But he is not one bit afraid to take his chances with the Yanks.

Higher profits expected

He has done well thus far in extending company holdings south of Canada's border, and he says, as he sits in an unpretentious office in Montreal, that he is looking for more U. S. acquisitions.

CP Ltd. is large by any standard. It has more than 90,000 employees and assets in excess of \$7 billion. Profits last



CP trains operate from the Atlantic to the Pacific. This long freight passes spectacular scenery between Banff and Lake Louise in the Canadian Rockies.

year were \$190 million, and this year, Mr. Sinclair says, they will top \$200 million. Profits in 1972 were \$97 million.

"Of course, we are getting a little

help from inflation in reaching \$200 million," Mr. Sinclair concedes.

CP Ltd. began as a railway almost a century ago but has evolved into a highly diversified enterprise.



It has a railroad network and high-way trucking line that span Canada from the Atlantic to the Pacific, a fleet of large freighters that sail the oceans, an airline that flies as far as Athens and Tokyo, and a telecommunications service that is active in high-speed data communications.

The company also has nontransportation activities—grouped under the mantle of Canadian Pacific Investments Ltd.—which have been expanding in recent years. This side of CP Ltd. involves oil and gas, mines, forest products, iron and steel, real estate, hotels and food services, finance, and other operations. In 1976 Canadian Pacific Investments accounted for more than 60 percent of the overall company's net income.

More than 70 percent of CP Ltd. stock is held by Canadians, 14 percent by Americans, and eight percent by Britons. The remainder is spread around the world.

Lopsided competition

While CP Ltd. is a private enterprise, its main transportation competitors—Air Canada and Canadian National—are government-owned. This often makes for unfair and lopsided competition, the favored side being the government-owned corporations. Mr. Sinclair and Canadian Pacific take the odds in stride and consistently outperform and outearn the government corporations.

Ian Sinclair is a first-generation Canadian. His parents and older sister came over from Invernesshire, Scotland, and when he was a lad he picked up Scottish expressions from them that he uses to this day. He usually refers to girls and women as lassies.

Born in Winnipeg, Manitoba, he attended public schools there, then attended the University of Manitoba and the Manitoba Law School. He read law, became a barrister with a prominent firm, and lectured in torts at his old school. He joined Canadian Pacific in 1942, rose through the legal ranks, and reached his present position in 1972. He holds 15 outside directorships, including a seat on the Union Carbide board.

Reads for enjoyment

He is married to the former Ruth Drennan. They have two sons and two daughters, all grown.

Mr. Sinclair's favorite hobbies are



CP Air operates a fleet of 29 jets to five continents, carrying freight and passengers. Two DC-10's and two B-737's are in a \$120 million order for new American aircraft.



Pacific Logging is a CP subsidiary, and Sooke Mill on Vancouver Island in the Far West is a major receiving station. Modern techniques ensure that little cut lumber is wasted.

"Voyageur" is one of three container vessels operated by CP which have extra-strength hulls to get them through iced waterways. Each vessel can carry 777 containers.



reading and chopping wood at his small Quebec country place near the Vermont border.

"I read anything I can get my hands on," he says. "Magazines, newspapers, biographies, novels. I like most to read things I don't have to read. There is so much stuff I have to read that it gets me down a bit. It is fun to pick a book and read simply for enjoyment—without having to remember, criticize, or praise."

Recently he read the World War II spy documentary, "A Man Called Intrepid," and a book that speculates about a future business disaster, "The Crash of '79."

Mr. Sinclair has done little wood chopping since he injured a knee last year.

He goes to baseball, football, golf, and ice hockey contests, and he personally knows many of the athletes. "I watch matches on TV, but that isn't as good as going out in person," he says.

People he admires

The people in history whom he admires most are Sir Winston Churchill; Alfred P. Sloan, who did so much to make General Motors the world's largest automobile firm; and several great American jurists.

CP Ltd. and its chairman recognize the value of history. Company headquarters are in the heart of Montreal above Windsor Station, where trains daily handle thousands of commuters and long-distance travelers. The gray limestone structure is in the grand style of 75 years ago. Work is going on to modernize Windsor Station, but the chateau-like facade will be left intact.

Across the street is Le Château Champlain, a large and modern deluxe hotel which is part of the CP Hotels chain. Only the finest Italian marble was used in the bathrooms. Beside the hotel is a new office building, owned and operated by Marathon Realty Co. Ltd., another CP Ltd. subsidiary.

CP Ltd.'s blend of history and modernity is clearly seen in the elevators serving Windsor Station. Some are modern and automatic, but others are old and manually operated. Together, the old and the new prove most effective—a blend of innovation with experience that seems to epitomize the central thrust of Canadian Pacific.

Here, in an interview with a NATION'S BUSINESS editor at CP Ltd. headquarters, Mr. Sinclair talks about competing with state-owned firms, Canada's difficulties as a nation with two languages, his company's acquisi-

tions, and the problem of creeping socialism.

CP competes with nationalized Air Canada and Canadian National in the airline business, hotels, railways, and truck lines. Is this easy or difficult?

It is most difficult.

For instance, in the airline business, the government gives Air Canada all the breaks and is forthright in saying so. We have restrictions on CP Air services that our nationalized competitor does not have.

In the railway business, funding costs of the nationalized carrier are less than ours, because Canadian National has the credit of the state to help it. We have to go into the money markets for funding. We can exist only by running an economic operation and giving good service—meeting our customer demands.

We have succeeded in getting some money down to the bottom line of the income statement despite this one-sided competition.

Now, on the other side of the coin: One advantage we have over the state enterprises is that politicians often look on nationalized companies as their very own, as if they had a personal involvement. This usually hurts the nationalized companies because politics and business don't mix very well.

Which organizations do the better job financially?

We do. We make more money in more years and in more of our lines of service than the nationalized competitors.

We have consistently been profitable, especially with our railway. The only dip was during the 1930's. Canadian National has not been profitable. It says it has a bigger debt load than we do, but that debt load has been significantly reduced by government action.

I hasten to add that the present management of Canadian National is dedicated to sound business principles. The leaders are desperately trying to evolve and operate their railroad in a profitable way.

They are making some progress, and I hope they are successful, because the more efficient they are the better it is for us. Standards of comparison are always very helpful.

As for the two airlines, both lost in 1975 and 1976 when nearly every airline in the world was losing. Air Canada is a larger airline than ours, of course, and therefore lost more money.

Prior to 1975 our profitability was not matched by Air Canada.

Trucks are hard to compare. Book-keeping methods are quite different. Generally speaking, our trucks have made money in the past two years while Canadian National trucks and the express delivery system, which are accounted along with trucks, have lost heavily.

Both hotel systems usually make money.

What are your thoughts when you ride Air Canada or sleep in a Canadian National hotel?

I look at them with the eye of an interested traveler and a competitor. I want to see how they operate, how they treat people. My attitude is no different when I ride Delta Air Lines, TWA, or Eastern, or when I sleep in a Hilton or Western or any other hotel.

CP Ltd. got \$25 million from the Canadian government about 100 years ago to tie the country together by building a transcontinental railway to the Pacific. Has the company gotten anything else from the government since?

Well, I would like to think that we have gotten understanding. But we have not gotten as much as we deserved.

However, the Canadian government has not been all bad for business, or else companies like ours would not have grown and prospered the way they have.

The Quebec provincial government tells companies what language they must use in business. Yet English is the language of CP Ltd.'s head office in Montreal. What's going to happen?

This concerns us greatly.

The commercial language of the world is English. Head offices of major transnational corporations, no matter where they are located, have complete capability in English. In our head office the language is English, and it will have to continue to be English. As for our Quebec operations, the language of work is French, and that presents no problem. Of course, when our Quebec people communicate with the head office here or offices located in other parts of Canada, they have to have the capability of doing that in English.

If we are required to have French as the language of work in our head office, we couldn't operate here. We have been successful here, and we don't want to leave. I'm hopeful that an

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accommodation can be worked out that recognizes the realities.

Do you believe Quebec will break off from Canada?

Absolutely not. Rest assured, our language and cultural differences will be accommodated. Quebec will remain Canadian.

Keep in mind that countries have many kinds of problems—religious, regional, political, racial.

Your country has problems, and I must say you have done rather well recently in handling some of them regarding ethnic groups.

The fact of French-speaking people in Canada has to be recognized. I can understand their desire to preserve their language and their culture. Anything that I can do to assist in this and still operate efficiently and effectively in Quebec, I am prepared to do.

Do you blame American business people for being frightened by all of this turmoil over language and possible secession?

I can understand their feeling of uncertainty. Given your druthers, you go where there is less uncertainty.

I think things will be worked out, and Quebec will remain part of Canada. I believe Prime Minister [Pierre Elliott] Trudeau and others who have a dedication to Canada and to national unity will prevail.

What are some of CP Ltd.'s main holdings in the U.S.?

We started life as a railway company. Today rail activities are a relatively small part of our operations. In the past couple of years we bought a piece of the Maine Central in the U.S. We use it as a shortcut to reach, via the U.S., our line out in the Maritime Provinces.

Also we bought the remaining outstanding shares of the Toronto, Hamilton, and Buffalo Railway, which were owned by Penn Central.

We have owned the Soo Line in the U.S. for many years.

Other than railroads, our U.S. holdings include a large interest in Cominco American, which is in mining and fertilizer. We have some oil and gas interests in Texas and Mississippi. We are developing real estate through Marathon Realty on the Pacific Coast. One development is an office building in San Francisco, which is costing about \$40 million. We have purchased all the outstanding shares of Baker Commodities, Inc., a West Coast ren-

dering company that operates widely in the Western United States.

Altogether, we have a fairly large range of activities in the U.S. However, of our total properties, only about four percent are in the U.S.

Do you want to make further acquisitions in the U.S.?

Yes, we do. We are looking at a number of things. We are not in a desperate hurry. We are looking at things that fit into our present make-up. We are also looking at things that would be entirely new to us.

We expect to expand our oil and gas business in the U.S. We also expect to expand our real estate activities.

Why are you interested in American acquisitions?

We feel there is a growing understanding of the role and requirements of the private sector in the U.S.

Rules for business are definitive there. You may not like all of the rules, but you can ascertain what they are and adjust to them.

The climate there, in my judgment, is good for investing.

Canada, meanwhile, has advanced much further along the lines of what some people call social responsibility. Government sources account for 42 percent of our gross national product. We have universal medical care. We have a very high level of unemployment insurance.

There is no question that many people in Canada know that our form of unemployment insurance has been abused. In our civil service we have fully indexed pensions—something that I, for one, just don't believe is proper. I think it is going to create problems as it moves out of the civil service into the private sector.

I fear that our government has been on a spending spree, and now the bills are beginning to come in. Canada can hardly afford them.

Is your position as chairman of a large diversified multinational Canadian company different from that of a chairman of a large American company?

Our problems are pretty well similar. I know many American executives feel they are increasingly involved with government. In Canada we are even more involved with government. This would be a major difference.

What can an American executive do that you can't do?

He can make more money for his company. That is one thing.

Another advantage the American executive has is the better understanding of the objectives of business in the U. S. by government people and by the population in general.

Canada is behind the U. S. in a general understanding of business. I hope we are going to have better understanding in the future.

Are Canada and the U. S. following the same road that Britain took—low productivity, lazy workers, excessive welfare, statism, and intransigent unions?

That is a bit too general. I think the Western world is moving to a certain degree down that road. People certainly do not have the same work ethic, the same drive to do a good job, that they once had, although the average worker is better educated and can accomplish more work in less time due to education and better equipment.

However, I simply do not think either Canada or the U. S. has the same structural problems that are basic to the situations causing the precipitous decline in the British economy.

Americans hear that Canadians want no more American ownership of Canadian firms. Then we hear that still

another Canadian firm has been sold to Americans. Can you square this ambivalent attitude?

Personally, I believe American capital has been good for Canada. I also believe it is still needed. I am no economic nationalist and I think—at least I hope—the world is passing economic nationalism by.

Mind you, there are problems with extraterritorial application of American laws for subsidiary companies here in Canada. Problems are indeed created when the American government stops a Canadian subsidiary of an American company from, for example, selling certain manufactured items to the Cubans. The Canadian company should not come under laws of a foreign government—the American government.

This situation has improved somewhat in the past couple of years. There is better recognition now that the subsidiary of an American company located in Canada is in reality a Canadian company and subject to Canadian, not American, laws.

Do you think Americans like Canadians more than Canadians like Americans?

No.

I will add, however, that we would like you Americans a little better if

you would send our baseball teams in Montreal and Toronto more good players. We need pitchers particularly.

Seriously, though, I feel that Canadians and Americans get along exceptionally well together. We mix very easily. Canadians are a bit more conservative in some attitudes than Americans. Otherwise, we think a lot alike.

When I hear that some Americans feel we in Canada do not recognize their needs for energy or for water or other things as quickly as we should, I recall what happened last winter when it was so cold in the U. S. I was rather proud of actions taken by Canadian regulatory authorities and energy producers. They rushed great quantities of gas to the U. S. The Canadians cut quickly through a lot of regulatory procedures and got the job done. I thought it was well done.

I wonder how many Americans know about this vast Canadian help.

I must call you on that bit about baseball players, Mr. Sinclair. Americans want to know why Canada does not send us more good ice hockey players.

We have to win at something, and the way to do so is get—and keep—the good players. Besides, we do send down good hockey players. Look at the hockey teams in Philadelphia and Boston, to name two. They are big winners.

But not as good as our Montreal Canadiens, of course.

You like to win, don't you?

I surely don't like to lose. I once practiced law, and I can remember every case that I lost. I have forgotten some that I won.

Did you enjoy the law?

Yes, and I miss it. I look back on those days 35 years ago, and I forget some of the difficulties. One of the great things about the human mind is that it remembers what was pleasant, and it wipes out most of what was unpleasant.

Now I like my job here. It wasn't handed to me. I had to try hard for it.

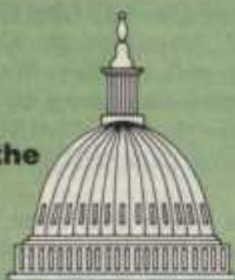
Prime Minister Trudeau is sometimes considered antagonistic to the U. S. Do you agree? Is he a good prime minister?

I think he is one of the most intelligent and hardworking prime ministers we have ever had. At this time in our history, with all of our problems arising



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ing out of continued Canadian unity, we are fortunate in having Mr. Trudeau—himself a French Canadian. Because of his background, he is better able to deal with the challenge of holding this country together in the face of Quebec separatism.

As for antagonism toward the U. S., no, I do not agree.

Mr. Trudeau does recognize the difficulties of a small country being next door to a powerful giant. He recognizes the need to make the Canadian presence known south of the border. He should.

As a railroad man, what do you think of Amtrak, the quasi-governmental corporation that runs most intercity passenger trains in the U. S.?

I won't express an opinion of Amtrak, other than to say Canada is moving toward something of the same thing—for passenger traffic only, of course. This is a mistake, because we would be taking on many of the same problems that Amtrak has had to face.

The day of long-distance passenger trains is long gone. It is not proper to try to save them. The idea of doing so on the basis of energy conservation is a pipe dream.

On another railroad matter, we have a greater ability to handle quickly and effectively track abandonments than American railroads have. When we realize certain trackage must be abandoned for lack of business, we accomplish this without the long delays and adjustments that your regulatory agencies cause.

If Canada comes up with an Amtrak-type operation, will CP be forced to take part?

Yes.

If the rail passenger service is going to be run for public service requirements, then the public generally should pay for it. We would be happy to let the government run it.

What has given you great pleasure at CP recently?

Quite a few things. CP Ltd. is coming along nicely. We solve our problems, and we serve the public well.

One other thing is that, for the first time in our long history, we are going to clear \$200 million this year. That's net. When you consider our tax bill, then \$200 million isn't bad.

A nice round, little number, don't you think? ☐

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Anne Chambers believes in stretching children's minds. Her school emphasizes fundamentals such as arithmetic, spelling, and grammar.

Back-to-Basics School Created by Enterprise

Anne Chambers found teaching and counseling in public schools so frustrating that "sometimes I wanted to slit my throat."

For one thing, she says, "the public schools are too large. Their sheer size ties everyone's hands."

Red tape was a constant hindrance. For another thing, Ms. Chambers says, many youngsters turned out to have gotten all the way to high school with horrendous deficiencies in basic skills including reading and simple arithmetic.

So Ms. Chambers decided to start her own school—a small one—"and go back to the beginning and work with the little ones."

The Indian Creek School opened in Crownsville, Md., in 1972, after several years on the drawing board.

Start-up money came in the form of loans, principally from Ms. Chambers' father, a general contractor. Her father, Tracy C. Coleman, president of Coleman & Wood, Inc., of Silver Spring, Md., built the school and took care of mortgage payments the first year.

Today the school is self-support-

ing. When Indian Creek opened, it had 33 children and an operating budget of \$40,000. It now has 184 children, in grades from nursery through seventh, and a budget of \$250,000.

It has four buildings, six buses, and a staff of 22. It is located on 17 acres, which include woods and a duck pond, about ten minutes from Annapolis.

Indian Creek is a back-to-basics school which emphasizes such fundamentals as arithmetic, spelling, and grammar. "We teach the children how to learn, to take notes, to write reports, to outline—all the skills needed to learn," says Ms. Chambers, who has been in education since 1963. "Children need to be challenged, they need to stretch their minds."

Although it is a nonprofit, tax-exempt corporation, the school faces all the problems of small businesses everywhere. Ms. Chambers has not escaped red tape. "I've always hated administrative rigmarole, but here I am, up to my ears in budgets, payrolls, maintenance, and accounts receivable and payable," she says.

She has another headache in common with many business owners. "We're expecting a visit from the Occupational Safety and Health Administration any day now," she laments. •

Equality in Industry for U. S. Blacks

Eugene D. Jackson wants to start a revolution—with the help of the 500 largest companies.

"What we're talking about is black America having its own industrial revolution," says Mr. Jackson, who is president and part-owner of the National Black Network, a radio broadcasting company based in New York City.

His strategy is to convince key executives at major corporations to set up industrial centers in the ghettos of America instead of in foreign countries.

"Corporations should look at black America as they look at underdeveloped or developing nations," says Mr. Jackson. "Instead of locating a plant in Africa or South America, they should consider siting the plant in the appropriate black ghetto. They should put the same kind of package commitment to schools, housing, recreation, and workplace into an American community that they would into a community abroad."

Mr. Jackson, whose own business earned \$100,000 on revenues of \$3.2 million last year, admits that start-up and short-term operating costs would be greater in the ghetto than abroad and that a number of factors impel U.S. companies to launch foreign operations.

"But," he says, "think of the long-term results—a revitalized community, a stable work force, and, eventually, profits. Besides, we have passed the point of indefinite expansion abroad. We have to

Eugene Jackson believes in jogging.



be more thoughtful about exporting jobs under the guise of cost efficiency."

How will one man get through to 500 key executives? "Many of them already know me," says Mr. Jackson, whose network produces 120 five-minute newscasts each week as well as commentary and entertainment. "I'm on the New York dinner circuit—I get invited to all these fund-raising dinners—and I'm easily recognized."

"Generally, heads of corporations are willing to consider creative ways to accomplish business goals. Their job is to project and understand the business environment ten years ahead."

What kind of response does Mr. Jackson expect? "Corporate heads have a real stake in providing economic equality for black America. I hope many of them will take up this cause." •

Success With a Mind-Boggling Invention

Howard M. Arneson, of Corte Madera, Calif., admits he is "a stubborn one." He had to be to stick with something as mind-boggling as a Pool-Sweep.

This automatic device, which looks like a prop from the movie, "Star Wars," has been installed in 200,000 pools nationwide. It has a floating cylindrical head to which are attached flexible hoses; one longer than the other. You turn the device loose in a pool, and it propels itself about, using pool water pumped at high pressure through the hoses to scrub the pool's sides and bottom. All the dirt and debris disappear down the main drain.

It took Mr. Arneson four years to perfect the Pool-Sweep system from a cumbersome ancestor. "I worked at night in an ex-grocery store, designing and testing improvements—there were about 150 prototypes in all—and sold the thing door-to-door during the day," Mr. Arneson says. Also during the day he was running a business which manufactured fishing tackle and lures.

When the Pool-Sweep was perfected, in 1964, the pool industry did not swarm to sell the product.

"However, we offered a free trial and guaranteed the device would work, no matter how many times I had to go back and adjust the system to fit a particular customer's pool," Mr. Arneson says. He also replaced all the prototypes with the perfected Pool-Sweep unit.



Howard Arneson believes in Pool-Sweep.

By 1966 sales—at about \$500 per unit—had reached \$1 million. In 1969 Mr. Arneson sold the company for \$8 million to Castle & Cook, Inc. He stayed to direct the new subsidiary as president. Last year's sales totaled \$13 million.

"This device has been a once-in-a-lifetime success," says Mr. Arneson, a high school graduate who jokes that he "has a master's degree from Hardknocks University." He adds: "It really has been an ego trip for me to see how happy and grateful people are with a product that eliminates the drudgery of owning a pool." •

Details Pay Off When You Sell Teddy Bears

Harold A. Nizamian will tell you he is in the wild animal business. That is stretching the truth—his animals are the stuffed kind that infants clutch in their cribs.

The business—R. Dakin & Co., of San Francisco—is wildly successful. Toy industry sales generally have been rising only moderately. But R. Dakin, which had sales of \$17 million in 1975 and \$30

million last year, expects to show a \$40 million volume for 1977.

"We carry a line of about 600 animals, and we change up to a third of that at least twice a year," says Mr. Nizamian, who has been president since 1967. "We have two manufacturing plants in the United States and others in Belgium, Haiti, Mexico, Taiwan, Korea, and Japan. We make almost ten million animals a year and export to 82 countries."

Although the bulk of Mr. Nizamian's menagerie sells for \$3 to \$15, "a stuffed animal is not a simple creature to make," he says. "We are true believers in quality, and every animal is finished by hand."

The eyes and nose and mouth are applied just so, the closing seams securely sewn and brushed out, the bows and trimming precisely placed.

Mr. Nizamian explains that "a tiny slippage in cutting the material or a discrepancy in stuffing can ruin the shape of the final product. We specify every step in production, down to the number of hairs in the eyebrows. Our employees—thousands around the world—are devoted to detail."

Ideas for new animals are as bountiful as game on the Serengeti Plains, yet determining which one will sell is as chancy as catching a gazelle.

"I sit down with company designers, production coordinators, marketing people, and a lot of others to evaluate a proposed item," Mr. Nizamian says. "We even bring in a kindergarten class to get children's reactions. The right expression in a stuffed duck's eyes can mean the difference between selling a few million and laying an egg."

The company is now in high gear for the Christmas season. "We have a teddy bear with a message on its T-shirt saying, 'Merry Christmas,'" Mr. Nizamian says. "The world can do without a lot of things, but I can't see a world without teddy bears." □

Harold Nizamian believes in attention to detail. His company makes stuffed animals and teddy bears that will double as tennis partners.





JACKSONVILLE:

Bold New City of the South



Jacksonville's changing skyline reveals many handsome new buildings, giving the city an appearance which supports its description by civic leaders as a metropolis of bold ideas and actions that is ready for tomorrow.

"It must be remembered that there is nothing more difficult to plan, more doubtful of success, nor more dangerous to manage, than the creation of a new system. For the initiator has the enmity of all who would profit by the preservation of the old institutions and merely lukewarm defenders in those who would gain by the new ones."

THE QUOTE is attributed to Machiavelli, circa 1513. Mayor Hans Tanzler, of Jacksonville, Fla., carries a tattered copy of it around in his wal-

let—to constantly remind himself, he says, that doing anything new and different is no easy task and never has been.

What Jacksonville did, in 1968, was institute a consolidated government that wiped out competing, conflicting, and overlapping county and city agencies. Difficult though it may have been, the move has been credited by business and political leaders alike with being the single most important factor in halting the deterioration of a city which, by some accounts at least, was on its way to becoming another metropolitan disaster area.

Even more important, the foundation was laid for a bold, aggressive thrust that has brought the city to the threshold of a bright and vibrant future.

Because of a diversity of economic enterprise, Jacksonville has, over the years, suffered somewhat less than the rest of Florida in periods of recession. And the area always has continued to attract new business and new residents.

World War II boom

During the depression of the 1930's there was little growth, but on the eve of World War II, shipbuilding experienced a major upsurge and the permanent establishment of Navy bases in the area generated a wave of newcomers.

Most of the influx was contained within the city proper, however, and it was not until after the war that the population began to spread heavily into the surrounding countryside.

At first the potential problems of



Mayor Hans Tanzler gave business leaders a progress report this year as consolidated city-county government celebrated its ninth anniversary. The population of Jacksonville is now 580,000 and growing.

urban sprawl and downtown blight were not all that evident. Good things were happening: For example, the Committee of 100 of the Chamber of Commerce (a misnomer today, because there are 500 members of the committee) landed a major prize in the form of the South-Central home office of Prudential Insurance. And Maxwell House division of General Foods built a coffee roasting plant.

The city also had moved to redevelop its waterfront and—with plans for a new civic auditorium—to display its budding symphony orchestra, attract top-rated entertainment from elsewhere, and provide facilities for conventions and meetings.

Building by the water

A new city hall and a new county courthouse were planned and built. Sears, Roebuck and Co. located in Jacksonville with a major new multi-

floor store. And then Seaboard Coast Line Industries, which resulted from the merger of the Seaboard and Atlantic Coast Line railroads, built a handsome headquarters building by the St. John's River.

On the south side of the St. John's, Prudential's attractive installation was joined by a new hospital. A shipyard gave way to a host of other new facilities, which today include the 28-story Gulf Life Tower, a Hilton hotel, the Museum of Arts and Sciences, and a park.

But in the midst of the prosperity, serious trouble was brewing. For one, the St. John's had long been used as a convenient dump for millions of gallons of sewage. What had once been a joy, a source of recreation and beauty, became what some ship captains described as one of the world's dirtiest rivers.

Meanwhile growth in the suburbs

resulted in as many residents living outside the city limits as inside. County government as it then existed simply could not cope with the demands for services that this expansion brought, and the city itself was hard-pressed to meet demands, especially with a dwindling tax base. The situation is not unfamiliar to many major American cities.

Business community acts

The business community rose to the occasion, petitioning the state legislature for a study and then vigorously supporting the recommendation that a consolidated city be created. Voters approved the proposal on referendum by an overwhelming majority, and a bold new city was born.

With the governmental machinery in place, and massive support from the business community, a number of major programs were initiated, including a \$150 million project to clean up the river.

Twenty thousand people turned out last June, incidentally, to celebrate completion of the project.

Planning was begun for downtown redevelopment, improvements in the transportation network, and a major economic development effort, among other projects; and although it took a while to mesh all the gears, the city began to move forward.

A 20-year plan

The Jacksonville Area Planning Board developed a long-range plan, which, although not formally adopted and implemented, nevertheless set out some of the tasks to be performed over a 20-year span.

A report accompanying the plan was quite blunt in describing the problems. For example:

"Existing commercial development in Jacksonville presents problems, both in terms of attempting to cope with the present situation and in trying to develop future land use plans for the community. Some of these problems are:

"Unsightly scattered 'strip' commercial development.

"Inadequate parking, vehicular access, and pedestrian circulation.

"Poor landscaping and buffering.

"Hazardous lighting practices.

"Shifts in automobile-oriented patronage due to new alternative traffic routes.

"Relocation or failure of major tenant in commercial center.

"Conversion to commercial use in

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A giant 900-ton gantry crane is to play a key role in the construction of floating nuclear power plants by Offshore Power Systems. The firm plans to build them in Jacksonville and tow them to where they will function.

marginal areas—making the area even more marginal.

"Changing neighborhood resident income levels—caused, in some instances, by the intrusion of commercial development."

Additional problems

Also, the report said, "Water and sewer service is somewhat fragmented in the city. Only 275,000 residents receive water from municipal systems, and 200,000 depend on city sewerage systems. The remaining residents depend upon either private utility systems or private wells for water and rely mostly upon septic tanks for sewage disposal.

"The existing municipal system, must be expanded and improved by pollution abatement, renovation and strengthening and/or replacement of deteriorated mains, and provision of municipal service to all residents or urbanized areas.

"A continuing program must be put into action which extends service into developed areas, upgrades and improves existing private utility systems, and consolidates these systems into regional systems."

The Jacksonville Area Planning

Board has served a number of surrounding counties, on a project basis, and continues to function for the metro Jacksonville area. To meet federal funding guidelines, however, in the past year a Northeast Florida Regional Planning Council has been organized, with representatives from seven counties. The council may be expected to take over the regional aspects of planning in the next few years.

But the Jacksonville Area Planning Board work, which also produced the downtown development plan, has given Jacksonville an intelligent blueprint for the future.

A Downtown Development Authority was created in 1971 and charged with the responsibility of carrying out the City Council's plan for downtown redevelopment. That plan had as its ultimate objective a totally revitalized city center and a significantly increased downtown tax base.

How well the plan has functioned is shown in a few statistics. Since 1971 more than \$200 million in private construction has been completed or is nearing completion; city, state, and federal funds have provided some \$12 million in street, lighting, and sidewalk improvements; a \$10 million

State Regional Services Center is under construction; and some \$250 million in additional construction or renovation has been committed, mostly by private sources.

The cooperative effort to revitalize downtown already has had noticeable impact on retail sales.

Bernard Datz, general manager of the Sears store, says business in the store has been particularly good this year, and he cites the development effort as one of the reasons.

Committed to downtown

A spokesman for Charter Co., a large corporation which has its roots in Jacksonville, says: "We believe in the downtown redevelopment program; we are committed to downtown." He notes the present plan to renovate a former W. T. Grant building as a headquarters for one of the Charter's subsidiaries, Louisiana & Southern Life Insurance.

Charter, which is headed by Raymond K. Mason, was built from a family-owned Jacksonville lumberyard into a diversified corporation with sales of more than \$1 billion a year.

Jacksonville's long-range goal, in terms of tax base, seems well on its way to realization.

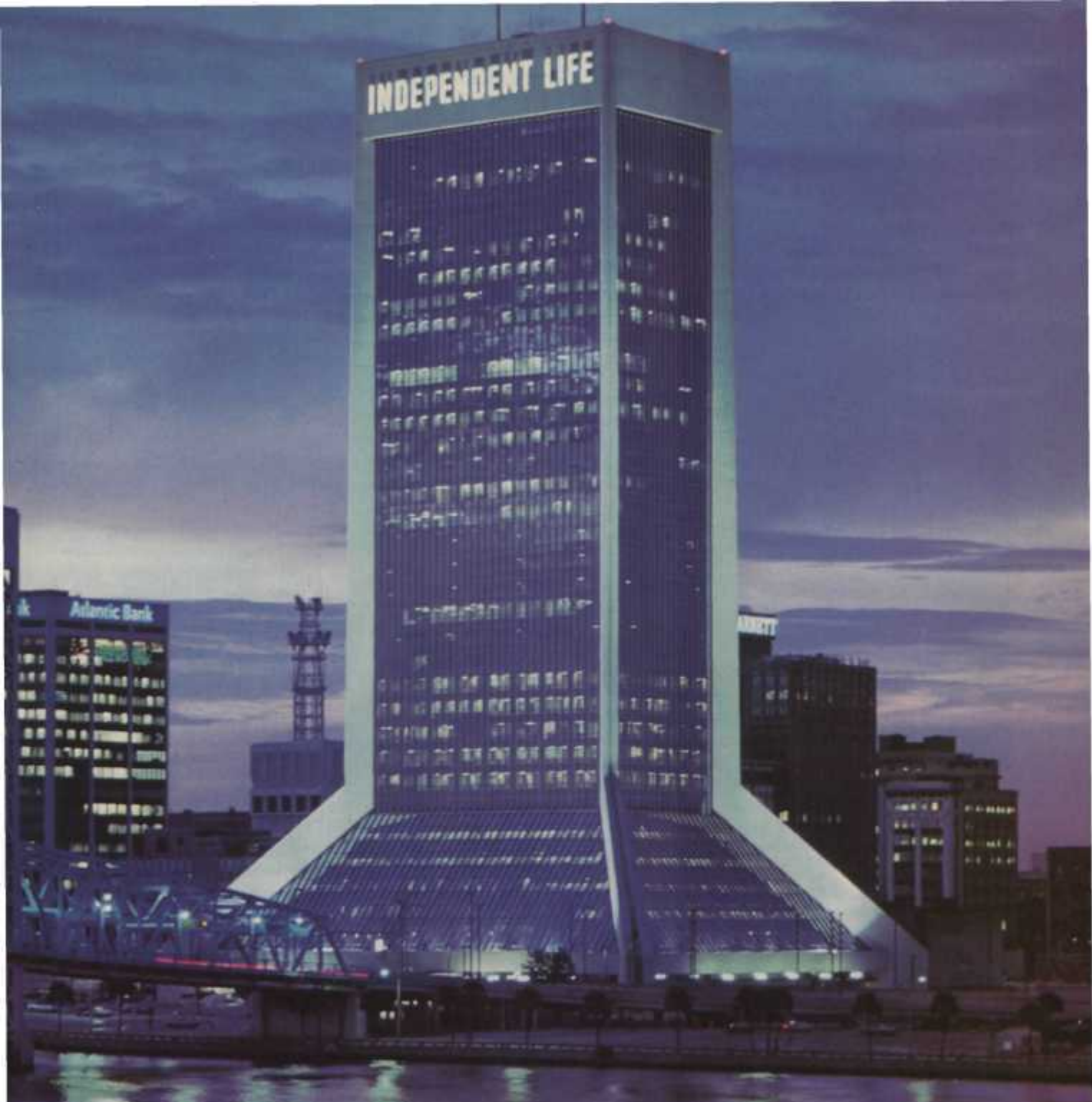
Since 1971 the assessment valuation of downtown properties has increased from \$231 million to \$467 million. The approximately one-mile-square area now represents nearly eight percent of the entire city property tax roll and provides almost 11 percent of total property taxes collected.

Among major new structures that have been completed in recent years are the Independent Square, Atlantic Bank and Barnett Bank buildings, a new police administration building, the Blue Cross/Blue Shield complex, the First Baptist Church sanctuary (which seats 3,300), and the Blackstone Building (opposite the courthouse and catering to legal tenants). Also, there has been extensive remodeling of a dozen major downtown buildings.

A mushrooming skyline

The 38-story Independent Square occupies a square block near the riverfront. With restaurants, shops of all kinds, and a multistory indoor "garden," the building, which dominates the Jacksonville skyline, has become an attraction in itself as well as a place where some 3,000 people work each day.

The bank buildings headquarter two of the largest financial institutions in



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If your company would also like to be in the right place at the right time, there's still office space available at Independent Square. It's the tallest building in Florida and features some of the most innovative work environments anywhere in

America. For more information, call Anthony Marinucci, Leasing Agent, at (904) 358-5664. Or write him: Independent Square, One Independent Drive, Jacksonville, Florida 32276.

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Independent Life



the state which, along with Florida National and other banks, form the foundation of Jacksonville's position as a major financial center.

The importance of major buildings' construction in the overall downtown plan may be recognized in another statistic. Of the approximately 55,000 people employed in the downtown area, 16,000 work in eight buildings: Seaboard Coast Line, Prudential, Peninsular Insurance, Blue Cross/Blue Shield, American Heritage Life Insurance, Independent, Gulf Life, and the Federal Building.

Tax increment financing

To help further the redevelopment of the city, Jacksonville has discovered and plans to use "tax increment" financing.

As explained by City Council President Lynwood Roberts, here's how it works:

By setting aside from the regular tax rolls property to be redeveloped, a revenue source is created to finance the redevelopment.

"We may set aside a piece of property on the rolls at \$1 million in valuation," Mr. Roberts says, "but after redevelopment that property might be valued at, say, \$25 million. The tax increments from the \$25 million are used to repay the costs of redevelop-

ment, and after they are repaid, the property can be returned to the regular tax roll."

Mr. Roberts has high hopes for tax increment financing. And he believes it will help the city reach its redevelopment goals without the necessity of a major overall tax increase.

Transportation a key

Jacksonville's property tax rates are quite low in comparison to those of most major cities.

An integral element of the city's growth plan is the parallel expansion of its transportation facilities and its road network.

The task of planning, directing, and obtaining funding for the city's transportation requirements falls to the Jacksonville Transportation Authority, formed in 1972 as a successor to the Jacksonville Expressway Authority. It is headed by a businessman, Wesley Paxson.

The Transportation Authority in 1972 used a combination of federal, state, and local money to buy the privately owned Jacksonville Coach company. The authority hired the company to operate the system, then began a major renovation of both fleet and schedule.

In the past five years ridership has increased 55 percent; there have been

two fare reductions since 1973; and expanded service, particularly with express runs to suburban areas, park-and-ride specials, and downtown shuttles, has brought the reality of mass transportation to the city.

The downtown shuttle system and park-and-ride routes are an outgrowth of recommendations made in the Jacksonville Area Planning Board master plan as well as the 1974 Jacksonville Urban Area Transportation Study. Those plans envisioned a fixed-guideway people mover as a prime downtown circulation system, coupled with extensive feeder bus lines from outlying areas.

Immediate implementation of the long-range plan has been made with the shuttles and park-and-ride, while express and other feeder routes also have been developed.

Long-range plans call for completion of a beltway system around Jacksonville.

A broad economy

Jacksonville has traditionally enjoyed a diversified economy, the major components of which include transportation, warehousing, and distribution; financial services (insurance and banking); construction and real estate; retailing; wholesaling; and manufacturing.

The military establishment contributes significantly—more than 30,000 Navy personnel are assigned to the area and have an annual payroll in excess of \$400 million.

The Jacksonville Port Authority was in full control of city-operated facilities by 1965. With the proceeds of a \$25 million bond issue, extensive renovation of the port was started, as well as development of an adjacent city-owned area known as Blount Island.

In 1968, as part of the consolidation, the Port Authority also took over responsibility for the city's new \$9 million airport.

Rapid progress has been made since then, and although Port Authority facilities account for only 15 percent of the total cargo moved through the port, the authority is making money and paying its own way. In fact, over the past three years the authority has provided some \$2.8 million to the city by annually turning back some \$800,000 that the city is obligated to provide for capital improvements and by making a \$454,000 payment on airport bonds.

Work is now being completed on a federal project which has deepened the



Talleyrand Docks and Terminal, operated by the Jacksonville Port Authority, is but one of seven facilities that make Jacksonville one of the busiest ports on the Eastern seaboard. The facility is a revenue-producer for the city.



THIS SPRING, WE'RE GOING TO HAVE A LOT OF PEOPLE IN JACKSONVILLE RUNNING FOR THEIR LIVES.

On April 1, 1978, we're sponsoring (in cooperation with the City of Jacksonville) the first annual "River Run 15,000," a 9.3-mile race along the beautiful St. Johns River. It'll be the largest such event in Florida, and many of the top runners in the U.S. have already signed up to compete.

We believe the race will encourage even more Jacksonville citizens to take up jogging—which in turn will mean healthier, longer lives for thousands of people.

So to us, the "River Run 15,000" represents a perfect example of the type of community involvement we've been practicing in northern Florida for the past 113 years. We also sponsor the Tournament Players Championship, the richest tournament on the golfing circuit, which raised over \$100,000 for charity this year.

But our civic participation is by no means limited to athletics. In addition, we sponsor many other

events, including Scout World, art shows, regional spelling bees, journalism scholarships and educational funding in conjunction with the Jacksonville Symphony.

All of our activities reflect our strong conviction that Jacksonville is a terrific place to live, work and play. And we're doing everything we can to make it even better.

If you're interested in running with us, write P.O. Box 515, Jacksonville, Florida 32201.

FLORIDA TIMES-UNION. JACKSONVILLE JOURNAL.

river channel to 38 feet all the way to the downtown area.

Container operations have also had a significant impact on port development. In 1973 the Port Authority's container traffic totaled slightly more than 29,000 tons. In 1976 container traffic exceeded 400,000 tons.

Autos are major cargo

The types of cargo entering and leaving the port of Jacksonville are extremely varied. Major imports include automobiles, coffee, iron, steel, plywood, petroleum, and molasses. Major exports consist of linerboard, paper products, clay, scrap metals, naval stores, wood pulp, and citrus products.

Automobile volume is expected to grow significantly, with the recent announcement that Datsun was relocating its import activities from Portsmouth, Va., to Jacksonville. Toyota Southeast, headquartered in Jacksonville, reported not long ago that volume had increased from 350 cars per month in 1959 to 11,000 cars per month in 1977, with spare parts up from \$36,000 monthly in 1959 to \$4 million per month this year.

Some 40 different private companies operate within the port complex, with

six major terminals operated by private enterprise in addition to the Talleyrand and Blount Island facilities operated by the Port Authority.

The city also is well-served by highway, rail, and air.

More than 40 major motor carriers, offering service throughout the United States, maintain terminals in Jacksonville. These truckers use Interstate 95 for north-south traffic along the Eastern Seaboard; Interstate 10, which stretches west across the sunbelt to California; and Interstate 75, some 65 miles west of Jacksonville, which provides access through Atlanta to the Midwest. I-75 also reaches south through central Florida and to the Gulf Coast area of Tampa and St. Petersburg.

The interstate system is augmented by U. S. Highways 1, 17, 90, and 301 and by the excellent local expressway system.

Major rail center

Jacksonville is one of the busiest links in the Seaboard Coast Line railroad system, with an average of 46 freight trains operating daily. The so-called SCL Family Lines, a grouping which includes three other railroads in

addition to the merged Seaboard and Atlantic Coast, provides shippers in and out of Jacksonville with access to the Southeast and the Midwest via some 16,500 miles of tracks.

Southern Railway, operating through 13 states, links Jacksonville with Washington, New Orleans, Memphis, and Cincinnati, with ten freight and piggyback movements daily.

Florida East Coast Railway, with 500 miles of track in Florida, interchanges with the other trunk lines at Jacksonville and operates an average of 11 daily trains.

Variety of air services

Five major carriers operate through Jacksonville International Airport (Delta, Eastern, National, Southern, and United) and passenger traffic is expected soon to average 800,000 arrivals and departures a year. Air Florida also offers service intrastate.

Air cargo service is provided by several forwarders, including two of the largest in the world, Emery and Airborne Freight Corp.

Two municipal airports also are operated for general and business aviation under the Jacksonville Port Authority.

The state of Florida has begun a more concerted drive to attract new business, and a special task force, which includes a number of prominent Jacksonville leaders, has been wooing offshore firms as well as domestic ones.

W. Ashley Verlander, of Jacksonville, a member of the Governor's Task Force and president-elect of the Florida Chamber of Commerce, says a major point made in the foreign presentations is that Florida is a practical midway point for distribution of goods to both North and South American customers. He adds that Jacksonville is a logical specific location.

Companion to that effort has been a move to encourage foreign banking interests to locate in the state, and this too could benefit Jacksonville.

Financial services strong

In the past 25 years in particular, Jacksonville has become a major financial services center. Four bank holding companies headquarter in the city, there are some 40 commercial banks and eight savings and loan institutions, and Jacksonville has a considerable amount of private capital.

The city also is a major insurance center, with 16 home offices and eight regional offices of such firms as State Farm and Prudential. The insurance

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Good people and a favorable business climate are necessary in building a successful company. And since American Heritage Life was founded in Jacksonville 21 years ago, we have enjoyed both.

And build we have: to more than \$4.9 billion of life insurance in force; annual revenue of more than \$95 million; assets of more than \$145 million.

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companies represent assets of more than \$40 billion, much of which is invested throughout the United States.

Of the insurance firms headquartered in Jacksonville, Gulf Life, Peninsular, and Independent are among the oldest, and each has shown strong growth over the years. American Heritage, founded 21 years ago, already has reached nearly \$5 billion of life insurance in force and last year reported premium income of more than \$80 million—statistics which provide some measure of the overall industry locally. Insurance firms began locating in Jacksonville after favorable legislation was enacted by the state. The more recent state measures to encourage foreign banking interests could bring the kind of financial influx to Jacksonville which followed the insurance legislation.

Industrial parks

The availability of capital also has made extensive real estate development possible in the area. And while lending institutions in the area historically have tended to be conservative, it is interesting to note a sign on the desk of John Gilliland, president of Stockton, Whatley, Davin & Co. The sign reads: "Let's think of a few reasons why it CAN be done."

Mr. Gilliland's company has developed some 11 major areas of Jacksonville over its century of service to the area. It is the ninth largest mortgage banking firm in the nation.

The company has, among other projects, a major office and light industrial park under development, along with an adjacent shopping village and prestigious private residential area, in the southeastern part of town.

On the west side, Southern Railway has announced plans for development of 5,000 acres it owns, with 2,000 acres marked for industry and the remainder for residential and commercial.

North of downtown, Webb International has achieved considerable success with its warehousing/distribution center on the site of a former airport. One tenant alone, Sears, occupies more than a million square feet of space.

A major economic development is the location in Jacksonville of Offshore Power Systems. A subsidiary of Westinghouse Electric Co., Offshore Power has pioneered a new concept in nuclear-powered generating facilities. It is developing a floating nuclear power plant.

Floating plants would be constructed at the company's Jacksonville facili-



Containerized cargo is handled at the Blount Island terminal of the Jacksonville Port Authority. The city's money-making port increased container cargo tonnage from just above 29,000 tons in 1973 to more than 400,000 tons last year.

PHOTO: FAVORITE



Jacksonville's beaches make it a favorite recreation area, not only for its own residents, but for an ever-increasing number of tourists from other states.



Fans who pack the stadium for the annual Gator Bowl football game give a healthy shot to the city's economy. It is estimated that the game and its auxiliary activities generate \$4.3 million for Jacksonville merchants each year.

ty, towed to the installation area, and positioned within floating containment areas offshore or at shoreside locations. Several systems have already been ordered for delivery in 1984.

Offshore Power recently announced some \$80 million worth of additional construction at its Blount Island facility and reports that it will be on target with delivery dates of the first systems. The company expects to have some \$250 million invested in Jacksonville when fully operational.

Bustling recreation scene

The annual Georgia-Florida football game generates a sellout of the 70,000-seat Gator Bowl each year, but there is a lot more to the recreation scene in Jacksonville than football. The PGA Tournament Players Championship is a regular golfing event, and the Gator Bowl is the site of about 12 major events each year, including the Greater Jacksonville Fair, which draws some 600,000, and star quality rock and other music concerts.

Near the Gator Bowl is the city's coliseum, which hosts everything from college basketball to ice shows, the circus, and name entertainers.

The civic auditorium and coliseum

combined offered some 400 event nights during the past year. The city has three museums.

Jacksonville has a respectable, though not spectacular, zoo, 370 parks, 16 community centers, 36 supervised playgrounds (expanded to 100 during the summer months), a softball complex that usually hosts at least one national tournament, and a cultural outreach program that brings theater to parks and community centers.

Aside from the miles of oceanfront at beaches about 16 miles east of downtown Jacksonville, the St. John's and other rivers provide ample opportunity for sailing and power boating, fishing, and other aquatic activities.

The area has 20 golf courses, 11 country clubs, and 42 public tennis courts, as well as skating rinks, skateboard parks, and bowling alleys. There are movie houses in most areas.

Rejuvenated school system

A fine arts group, little theater, and dinner theaters round out the places-to-go scene, along with numerous other public and private facilities offering professional entertainment.

Higher education is provided the community by Jacksonville University,

the University of North Florida (part of the state system), four different campuses of Florida Junior College, Edward Waters College, and the business-course oriented Jones College.

The city has more than 500 religious establishments.

Another forward thrust for the bold new city has been the rejuvenation of its school system, which had lost its accreditation in 1964.

Since then many new schools have been built, teaching staff has been upgraded, and all the high schools have been reaccredited.

Shopping centers boom

Jacksonville's growth has impacted on nearby areas, as might be expected.

In Clay County, for example, at the southeast boundary of Jacksonville, a host of residential developments have sprung up, accompanied by more than a half-dozen major shopping centers. The once-sleepy community of Orange Park has taken most of the brunt of this bedroom suburb expansion.

The communities of Atlantic Beach, Neptune Beach, and Jacksonville Beach (largest of the three) also have felt the spillover from Jacksonville.

Once strictly a weekend and summer-home area, the beaches have experienced a substantial increase in permanent population and commercial activity. Some 5,000 people commute to the city from the beaches each day, for example.

Prospects are bright

Where does the bold new city go from here?

Mayor Tanzler, Council President Roberts, and business leaders agree that Jacksonville has a bright future and better than an outside chance of becoming one of the truly great cities of the nation.

The governmental machinery is in place, and Jacksonville has location and climate in its favor, strong support from the business community for further development, and much that is attractive to prospective commerce and industry.

"We have plenty of room to grow," Mayor Tanzler notes, a point emphasized by the fact that one can drive 15 miles in most directions from downtown and be in the country.

A former prosecuting attorney and judge, Mr. Tanzler has been mayor since the year of the consolidation referendum and is now serving his last permissible term.

Some things are going on that can-

Fourteen
years ago
we planted
this in
Jacksonville.



It's amazing what grew out of it.

The Charter Company is a successful, diversified corporation with annual sales approaching \$1.5 billion. Our roots go back almost 60 years to a small family-owned lumber company. In 1959, we went public and in 1963 became the Charter Company. Through acquisitions and internal growth, we have evolved into three major operating areas.

Oil: Charter Oil Company is our major asset. It engages in petroleum refining and marketing, international oil trading, and retailing with over 500 service stations located throughout the South. Our 70,000 barrel a day refinery in Houston has the capability to process 100% "sour" crude, the most abundant form of crude oil supply.

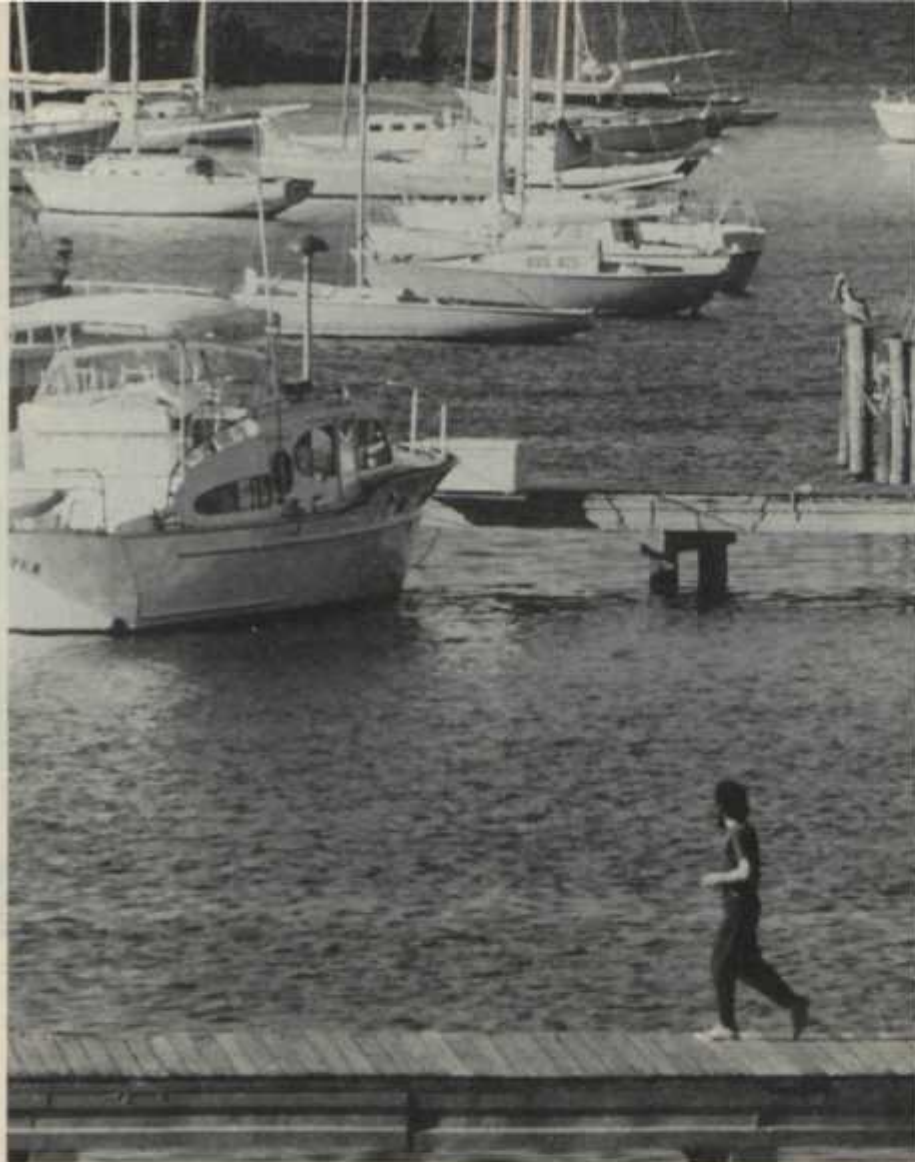
Communications: Our communications group publishes *Redbook*, *Ladies Home Journal*, *American Home*, *Sport*, and *womenSports*. We own six radio stations and Dayton Press, one of the

largest printing operations in the world. We also provide subscription fulfillment services to major magazines.

Insurance: Our insurance group includes life insurance, retail insurance services and land development. In life insurance we operate in 29 states with over a billion dollars insurance in force. Our land developments are located in the fast-growing Sunbelt area.

What all our growth adds up to is 192nd place on Fortune's 500 for 1976. What's more, our total return on stockholders' equity over the last 10 years ranks 14th. Between 1972 and 1976, our revenues increased a staggering 314%. And here's the most impressive statistic of all: Our total return to investors over the last ten years ranks fifth best on Fortune's list. There's a lot more we'd like to tell you about ourselves. And if you write us, we will. The Charter Company, 208 Laura St., Department NB, Jacksonville, FL 32202.





Rivers and the nearby ocean play a prominent role in Jacksonville's commerce, but they are equally important to the city's recreation. Powerboating and sailing, as well as fishing, are integral parts of the city's sports scene.

not help but provide impetus to the city's expansion. Among them are the scheduled construction of yet another naval installation (a base for Trident-class submarines across the Georgia line to the north); the recent creation of a privately funded Business Development Center at the University of North Florida; the completion of the Florida Junior College downtown campus, where already several programs in teaching technical skills are being instituted; several hundred million dollars of construction planned by private industry; and the inescapable fact that as south and central Florida continue to fill up, more and more of the state's new residents will be settling in the northeast area, where Jacksonville is located.

The consolidated government will be a major plus, community leaders feel.

Mayor Tanzler notes one other by-product of consolidation: The black

community, about 22 percent by population, has been brought into the mainstream of government. Of the 14 districts plus five at-large seats that elect council members, several were established deliberately to ensure election of blacks.

Racial harmony prevails

"We have come quite a distance from the days when we had riots here," the mayor says, and while he and other leaders acknowledge that more progress needs to be made, especially in the economic area, an atmosphere of racial harmony prevails. The mayor is especially encouraged by the skills training now available to area residents at Florida Junior College.

When it comes to the bottom line, however, the key to Jacksonville's future lies with the quality of its leadership.

J. J. Daniel, publisher of the "Flor-

ida Times-Union" and "Jacksonville Journal," is optimistic that the leadership will be found.

Mr. Daniel, a prime mover in the original push to establish consolidated government, says Jacksonville has been extremely fortunate during these past years in being able to draw some of the best business and professional people in the community into both elective and appointive office.

"If we do not have men and women of the same caliber in the future, if we slip back into the kind of petty, self-serving politics of the past, we will be in trouble," he says.

"But we have made too much progress for the business community to just back off now and let everything go down the tube. That just isn't going to happen."

Business people serve

Gerald L. Bartels, executive vice president of the Chamber of Commerce, also is optimistic about the caliber of the city's leadership in the future.

"Jacksonville businessmen led the move that brought about consolidated government; they have served since in many capacities and they will continue to do so in the future," he says.

The chamber adopted a program this past year with more than 100 specific objectives to be achieved, and there are more than 70 task forces organized to see they are accomplished. These task forces have been actively working on everything from economic education and support for the people mover to leadership training.

The leadership training program, Mr. Bartels says, is aimed at developing a corps of qualified people who can work effectively in the public sector.

Candidates selected are put through seminars, get personal development counseling, and are given on-site exposure to how the City Council, School Board, and various independent authorities work.

The chamber also has organized a political action committee, to further demonstrate that Jacksonville's business community has no intention of allowing complacency to develop.

Jacksonville's leadership is determined that the community will continue to be a bold new city in fact and not just in name.

Given the facts of what has already been accomplished, it is difficult to imagine anything but success in that endeavor. □



On June 18, we had a welcome back party for an old friend.

There were skydivers, waterskiers, bands, bells and balloons. And 25,000 people gathered on the banks of the St. Johns to welcome our river back to life.

We had almost killed it with thoughtlessness and 18 million gallons of raw sewage that were dumped into the river every single day. The fish had gone, the water was filthy and by 1968 the people had had enough.

They voted in a consolidated government whose number one priority was cleaning up the river.

Nine years and 153 million dollars later, the job was done. The fishing's good again, so's the swimming, and now we can focus full attention on other important projects.

Jacksonville's Recreational Master Plan will soon double the size of our park system. We've already opened a 350 acre oceanfront park, 2 new city pools are in the works, and negotiations are underway for 250 acres of additional park land. And the Consolidated City of Jacksonville is sponsoring the purchase of 35,000 acres of environmentally endangered land to be held in perpetual trust for the people of Jacksonville.

We're becoming a city of unspoiled land, parks, and sparkling water. And we'd like to tell you more about what we have to offer. Write to: Jacksonville Area Chamber of Commerce, P.O. Box 329-MN, Jacksonville, Florida 32201. We'll send you more information on where we are and where we're going.

If you like the direction we're headed, you might consider moving your company here. That would be fine with us. In fact, we'd welcome you like an old friend.

The city other cities are learning from.

THE CONSOLIDATED CITY OF
Jacksonville

The Coming Revision of Tax Laws

A POLITICAL CAMPAIGN is the worst possible forum for a reasoned discussion of tax policy. The interaction between tax laws that encourage investment and the nation's economic health is not a subject that lends itself to the emotional and rhetorical excesses of campaigning.

Seekers after public office often delight in promising tax relief to workingmen and women at the expense of the well-to-do.

President Carter, as a candidate, made extensive use of that dog-eared script.

"The powerful always manage to discover and occupy niches of special influence and privilege," he said in his acceptance speech. "An unfair tax structure serves their needs."

During the campaign Mr. Carter declared: "The present tax structure is a disgrace to this country. It is just a welfare program for the rich."

Mr. Carter had planned to send a broad plan for revising the tax law to Congress during his first year in office. His recommendations, fortunately, have been delayed.

We say fortunately because Mr. Carter should put his campaign rhetoric as far behind him as possible before he decides on the formal recommendations he will make, as President, for major changes in tax policies.

Most importantly, he should rid himself of the concept, if he ever seriously entertained it, that upper-income taxpayers represent a vast, untapped source of additional revenues that can be used to ease the tax burdens of middle and lower-income workers.

"Statistics of Income—1975," a readily avail-

able report issued by the Internal Revenue Service, would quickly show the President that:

- The 1,119 individuals who reported incomes in excess of \$1 million had an average taxable income of \$1,570,000, and their taxes averaged \$1,011,317, or 65 percent of taxable income.

- Taxpayers with incomes over \$50,000 a year represent 11.2 percent of all taxable income, but they pay 20.6 percent of all taxes.

- While the average tax payment for all taxpayers was \$2,020, the average payment for individuals with taxable income of \$50,000 or more was \$26,814.

- Taxpayers earning more than \$100,000 a year claimed a total of \$6.5 billion in deductions; those earning less than \$15,000 a year claimed deductions of more than \$117 billion.

- The 3.6 million taxpayers with incomes over \$30,000 pay 35 percent of all income tax revenue. The 40 million taxpayers with incomes under \$15,000 a year pay 25 percent of total collections.

The IRS report contains much additional data that refutes any contention that upper-bracket taxpayers get off lightly compared with those in the middle and lower-income categories.

Mr. Carter found during his campaign that "soak the rich" was a crowd-pleasing promise on the political stump. As President, he must now realize that such slogans are hardly a substitute for sound economic policy.

What the country needs is sound and thoughtful consideration of tax policies that will encourage economic growth, not restrict it. □



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The answer to the problems you've been facing with your pick up and delivery trucks has arrived.

The new "S" Series, heavy duty vehicles from International® Trucks.

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And the S-Series is designed for easy service. Many of the systems are modular. And parts have been reduced. (The electrical system alone went from 820 parts to 240.)

Was it time for a new truck series? The answer is "yes."

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